

OFFERING MEMORANDUM

US\$150,000,000



CORREDOR SUR TRUST

6.95% Notes due 2025

The Issuer, BG Trust, Inc., not in its individual capacity, but solely as trustee of the Corredor Sur Trust, formed under Law 1 of 1984 of the Republic of Panama, pursuant to an irrevocable trust agreement to be entered into with ICA Panama, S.A., as settlor and secondary beneficiary, will issue the notes. The Issuer will pay interest and principal on the notes on the 25th day of each May, August, November and February of each year, commencing on August 25, 2005 in the case of interest and on August 25, 2008 in the case of principal. The notes will mature on May 25, 2025. The Issuer may, at its option, redeem some or all of the notes at any time after the third anniversary of the date of issuance of the notes at the redemption prices described in this offering memorandum. The Issuer may also redeem the notes at any time in the event of certain tax law changes requiring payment of additional amounts as described in this offering memorandum. The notes will be senior secured obligations of the Issuer and will rank equally without any preference among themselves. The notes will be secured by a first priority lien on substantially all of the assets of the Issuer.

The primary beneficiary under the trust agreement will be The Bank of New York, as trustee under the indenture governing the notes. Under an assignment agreement, ICA Panama, S.A. will assign to the Issuer certain of its rights, including its rights to receive tolls generated by the Corredor Sur toll road in Panama City under a concession granted by the Panamanian government, proceeds from certain ancillary service agreements, and certain payments from the Panamanian government, in each case as more fully described herein. The assets of the Issuer will consist of such assigned rights, as well as certain transaction accounts to be maintained in connection with the notes. Payments on the notes will be made by the Issuer solely from the assets of the Issuer, except as otherwise described herein.

Investing in the notes involves risks that are described in the “Risk Factors” section beginning on page 32 of this offering memorandum.

	Per Note	Total
Price to investors(1)	100%	US\$150,000,000
Estimated expenses and fees	10.05%	US\$ 15,078,450
Estimated net proceeds to the Issuer	89.95%	US\$134,921,550

(1) Plus accrued interest from May 25, 2005, if settlement occurs after that date

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any jurisdiction, except that the notes are in the process of registration in Panama, as described below. Unless they are registered in the United States, the notes may be offered only in transactions that are exempt from registration under the U.S. Securities Act of 1933, as amended, or the securities laws of any other applicable jurisdiction. Accordingly, we are offering the notes only to qualified institutional buyers and persons outside the United States. For further details about eligible offerees and resale restrictions under U.S. law, see “Notice to Investors.”

The notes are expected to be ready for delivery in book-entry form on or about May 25, 2005. Beneficial interests in the Regulation S Global Note (as defined herein) may be held in Panama through *Central Latinoamericana de Valores, S.A.*, which is a participant in Clearstream, Luxembourg.

The listing and negotiation of the notes has been authorized by the *Bolsa de Valores de Panamá, S.A.* (Panama Stock Exchange). This authorization does not imply any recommendation or opinion regarding the notes or the Issuer.

THESE NOTES HAVE BEEN AUTHORIZED FOR PUBLIC OFFERING IN PANAMA BY THE *COMISIÓN NACIONAL DE VALORES* OF PANAMA (THE PANAMANIAN NATIONAL SECURITIES COMMISSION). THIS AUTHORIZATION DOES NOT IMPLY A RECOMMENDATION ON THE PART OF *COMISIÓN NACIONAL DE VALORES* TO INVEST IN THE NOTES, NOR A FAVORABLE OR UNFAVORABLE OPINION REGARDING THE BUSINESS OF THE ISSUER. THE *COMISIÓN NACIONAL DE VALORES* SHALL NOT BE LIABLE FOR THE ACCURACY OR ADEQUACY OF THE INFORMATION IN THIS OFFERING MEMORANDUM OR THE REPRESENTATIONS CONTAINED IN THE REGISTRATION STATEMENT.

Merrill Lynch & Co.

The date of this offering memorandum is May 17, 2005.



TABLE OF CONTENTS

Summary.....	1
Risk Factors.....	32
Use of Proceeds.....	40
Capitalization.....	41
Selected Financial Information of the Concessionaire	42
Management’s Discussion and Analysis of the Concessionaire’s Financial Condition and Results of Operations	43
The Corredor Sur	58
Management of the Concessionaire.....	70
Share Ownership of the Concessionaire	72
Certain Transactions with Related Parties	74
The Concession	75
Description of Transaction Documents	83
Description of the Notes	86
Taxation.....	111
Certain ERISA Considerations	116
Notice to Investors.....	119
Plan of Distribution	123
Legal Matters.....	126
Independent Auditors	126
Independent Traffic Consultant	126
Listing and General Information	126
Trustee, Security Registrar, Paying Agent and Transfer Agent.....	126
Clearinghouse in Panama	127
 INDEX OF DEFINED TERMS	 I-1
INDEX TO FINANCIAL STATEMENTS	F-1
ANNEX A: SUMMARY OF DIFFERENCES BETWEEN IFRS AND U.S. GAAP.....	A-1
ANNEX B: INDEPENDENT TRAFFIC STUDY	B-1
ANNEX C: CONCESSION CONTRACT (ENGLISH TRANSLATION).....	C-1
ANNEX D: QUARTERLY AMORTIZATION AMOUNT	D-1

You should rely only on the information contained or incorporated by reference in this offering memorandum. The Issuer and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “*initial purchaser*” or “*Merrill Lynch*”) have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Issuer and the initial purchaser are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. The business, financial condition, results of operations and prospects of the Issuer and ICA Panama, S.A. (“*ICA Panama*”) may have changed since that date.

In accordance with U.S. law, the Issuer is relying on an exemption from registration under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”) for offers and sales of securities that do not involve a public offering in the United States. By purchasing notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading “Notice to Investors” in this offering memorandum. The notes are subject to restrictions on transferability and resale. You may not transfer or resell the notes except as permitted under the Securities Act and applicable securities laws of states and other jurisdictions,

pursuant to registration or exemption therefrom. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

This offering memorandum is based on information provided by the Issuer and ICA Panama and by other sources that the Issuer and ICA Panama believe to be reliable. Neither the Issuer nor ICA Panama can assure you that this information is accurate or complete. This offering memorandum summarizes certain documents and other information and the Issuer and ICA Panama refers you to them for a more complete understanding of the discussion contained in this offering memorandum. In making an investment decision, you must rely on your own examination of the Issuer and ICA Panama and the terms of the offering and the notes, including the merits and risks involved.

Neither the Issuer nor ICA Panama is making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

You should contact the initial purchaser with any questions about this offering or for additional information to verify the information contained in this offering memorandum.

Neither the United States Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

To purchase the notes, you must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum. You must also obtain any consent, approval or permission required by such jurisdiction for you to purchase, offer or sell any of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or sale. None of the Issuer, ICA Panama, nor the initial purchaser will have any responsibility therefor.

The notes have been authorized for public offering in Panama by the *Comisión Nacional de Valores* (National Securities Commission, or the “CNV”) and the listing and negotiation of the notes has been authorized by the *Bolsa de Valores de Panamá, S.A.* (Panama Stock Exchange). Neither the registration with the CNV nor the listing of the notes on the Panama Stock Exchange implies any certification as to the investment quality of the notes, the solvency of the Issuer or ICA Panama, or the accuracy or completeness of the information as contained in this offering memorandum. This document shall be known as the *Prospecto Informativo* in Spanish for purposes of the registration of the offering of notes with the Panamanian *Comisión Nacional de Valores* (National Securities Commission), and as the offering memorandum in English for purposes of the offering of the notes in the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under RSA 421-B with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualification of, or recommended or given approval to, any person, security or transaction. It is unlawful to make or cause to be made to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

MARKET DATA

Market data, other statistical information and recent developments in the Republic of Panama used throughout this offering memorandum are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on good faith estimates of the Issuer or ICA Panama, which are derived from review of internal surveys. The Independent Traffic Consultant's Report referred to in this offering memorandum and attached as Annex B to this offering memorandum was prepared by Halcrow Group Limited ("*Halcrow*") and dated October 2004. The discussion of recent developments in Panama referred to in this offering memorandum was derived from information filed by the government of Panama with the SEC and press releases. Although the Issuer and ICA Panama believe these sources are reliable, the Issuer and ICA Panama have not independently verified the information with any such sources or otherwise and cannot guarantee its accuracy and completeness.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. These statements relate to the expectations, beliefs, intentions or strategies regarding the future of the Issuer or ICA Panama. These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "will," "should," "seek," and similar expressions.

The forward-looking statements reflect current views and assumptions with respect to future events and are subject to risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including without limitation those discussed in this offering memorandum, particularly under "Risk Factors," "Management's Discussion and Analysis of the Concessionaire's Financial Condition and Results of Operations" and "The Corredor Sur." Many of these factors are beyond the ability of the Issuer or ICA Panama to control or predict. Given these uncertainties, you should not place undue reliance on the forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Issuer, any of its affiliates or persons acting on behalf of the Issuer, ICA Panama or any of their affiliates or Halcrow are expressly qualified in their entirety by the cautionary statements contained in this paragraph. Neither the Issuer nor ICA Panama undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that could cause the actual results to differ materially from expectations include, without limitation:

- The ability of the Issuer to receive amounts sufficient to repay the notes in the event of an administrative redemption under the concession contract between the Panamanian government and ICA Panama;
- The termination of the concession contract pursuant to the provisions thereof;
- Changes in or legal challenges to the concession contract;
- The outcome of pending or future litigation involving the Concessionaire;
- The ability of the concessionaire to enter into binding arbitration with the Panamanian government in the event of a dispute under the concession contract and risks relating to the form of any compensation awarded to ICA Panama;
- Declines in traffic and toll revenues on the Corredor Sur toll road in Panama City as compared with the Independent Traffic Study (as defined herein);
- Competition with toll free roads;

- General, local, domestic and global business, economic and political conditions, particularly an economic downturn;
- The performance of ICA Panama's business and future operating results, including its plans to optimize toll rates and improve toll collections;
- The effects of inflation on toll revenues and the ability of toll rate increases to offset inflation;
- Capital expenditure and maintenance requirements of ICA Panama; and
- The other risks described in the "Risk Factors" section beginning on page 32.

PRESENTATION OF FINANCIAL AND OPERATING INFORMATION

ICA Panama maintains its books and records in U.S. dollars and its financial statements, including the notes thereto, included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards, or IFRS, which differ from accounting principles generally accepted in the United States. Unless otherwise specified or unless the context otherwise requires, references in this offering memorandum to "U.S. dollars," "dollars," "\$" or "US\$" are to United States dollars. The Balboa, the official monetary unit of Panama, is freely exchangeable for the U.S. dollar on a one-to-one basis. Panama does not issue paper currency; instead, it uses the U.S. dollar as its legal currency.

Financial data presented in the tables herein may not total correctly due to the effects of rounding.

One hectare equals 10,000 square meters, or 2.47 acres.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is acting in its capacity as trustee under the trust agreement entered into under Law 1 of 1984 of Panama. A majority of the directors and officers of ICA Panama are residents of Panama or elsewhere outside of the United States. All or a substantial portion of the assets of these persons and of the Issuer and ICA Panama are located in Panama, or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States or otherwise obtained in U.S. courts. Because all or a substantial portion of the assets of the Issuer and ICA Panama are located outside the United States, any judgment obtained in the United States against any such person may not be fully collectible in the United States.

ICA Panama has been advised by its Panamanian counsel, Galindo, Arias & López, that no treaty exists between the United States and Panama for the reciprocal enforcement of foreign judgments. Panamanian courts, however, have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, subject to the review in Panama of the U.S. judgment in order to ascertain whether certain basic principles of due process and public policy have been respected, including personal service to the defendant, without review of the merits of the subject matter of the case. Moreover, ICA Panama has been advised by Galindo, Arias & López that Panamanian law provides for the enforceability of liabilities predicated solely on foreign law (including the U.S. federal securities laws) under original actions filed in Panamanian courts, although such a court will follow the Panamanian civil procedure to resolve such an action.

Each of the Issuer and ICA Panama has appointed CT Corporation System, 111 Eighth Avenue, New York, New York 10011, as its authorized agent upon which process may be served in any action arising out of or in connection with the indenture governing the notes. With respect to such actions, each of the Issuer and ICA Panama has submitted to the non-exclusive jurisdiction of the courts of the State of New York sitting in the borough of Manhattan in New York City, or courts of the United States for the Southern District of New York.

AVAILABLE INFORMATION

Neither the Issuer nor ICA Panama is required, nor will it be required, to file reports with the SEC or to deliver an annual report to the holders of the notes pursuant to the Exchange Act, in connection with this offering, but in accordance with the Panamanian *Ley de Valores (Decreto Ley No.1 de 8 de julio de 1999)* (Securities Law) and applicable rules thereto, the Issuer will be required to file certain reports with the CNV and the Panama Stock Exchange.

The trustee under the indenture governing the notes will provide without charge, upon the written request of a holder of a note or a prospective investor, a copy of such information as is specified by Rule 144A(d)(A) under the Securities Act to enable resales of the notes pursuant to Rule 144A unless, at the time of the request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. Any such request will be subject to the confidentiality provisions referred to below. Written requests for such information should be addressed (i) to BG Trust, Inc. at its current executive offices located at Calle Aquilino de la Guardia con Avenida Quinta B Sur, Apartado 4592, Panama 5, Republic of Panama or (ii) to The Bank of New York at 101 Barclay Street, New York, New York, 10286, Attention: Global Structured Finance Unit.

The Issuer has filed with the CNV a registration statement, of which this offering memorandum forms a part. The Issuer will also file with the CNV and the Panama Stock Exchange its quarterly unaudited and annual audited financial statements, each prepared in accordance with IFRS, which differ in certain respects from U.S. GAAP. This information can be obtained by investors upon request at the Panama Stock Exchange, located at Edificio Bolsa de Valores de Panama, Calle 49 y Av. Federico Boyd, Panama, Republic of Panama, or upon request at the CNV located at Avenida Balboa, Edificio Bay Mall, Piso 2, Oficina 206, Panama, Republic of Panama.

The principal executive offices of ICA Panama are located at Vía Israel, Edificio Corredor Sur, Corregimiento San Francisco, Apartado 6-2483, El Dorado, Panama, Republic of Panama.

SUMMARY

This summary provides an overview of key aspects of the offering. This summary should be read in conjunction with, and is qualified in its entirety by, the financial, technical and other information and the financial statements and the notes thereto, appearing elsewhere in this offering memorandum, including the documents attached as Annexes hereto. For a discussion of certain factors to be considered in connection with an investment in the notes, see "Risk Factors."

The Issuer

The "Issuer" is BG Trust, Inc., a corporation registered with the *Registro Comercial* (Public Registry) of Panama on Microfiche 444710, Document No. 558830, not in its individual capacity, but solely as trustee (in such capacity, the "Local Trustee") of Corredor Sur Trust (the "Corredor Sur Trust"). The Corredor Sur Trust will be formed under Law 1 of 1984 of Panama (the "Trust Law") pursuant to an irrevocable trust agreement (the "Trust Agreement") entered into by the Issuer and ICA Panama, S.A., as settlor and secondary beneficiary. The Bank of New York, in its capacity as trustee under the indenture governing the notes, will be the primary beneficiary of the Trust.

BG Trust, Inc. is a wholly owned subsidiary of Banco General, S.A., a Panamanian *sociedad anónima* (corporation), and the entity through which Banco General, S.A. conducts its trust business in Panama. Banco General, S.A., a leading financial institution in Panama, with shareholders' equity of US\$368 million and assets in excess of US\$2.6 billion as of December 31, 2004. Under the laws of Panama, trust assets of a Panamanian bank or trust company are not available to satisfy general creditors of such entity.

The Concessionaire

ICA Panama, S.A., a Panamanian *sociedad anónima* (corporation) incorporated by public deed 1, 496 dated March 16, 1995 registered with the Public Registry of Panama at Record 299957, Roll 45408, Image 55, on October 31, 1995 ("ICA Panama" or the "Concessionaire"), holds the concession to, among other things, study, design, construct, maintain, administer and operate the Corredor Sur toll road in Panama City, Panama (the "Corredor Sur") under the administrative concession system governed by the laws of Panama (the "Concession"). The Concessionaire holds the Concession pursuant to the concession contract, which was entered into between the Panamanian government acting through *Ministerio de Obras Públicas* (Public Works Ministry) (the "MOP") and the Concessionaire on August 6, 1996 and authorized by the Panamanian *Contraloría General de la República* (Comptroller General) on August 8, 1996 (the "Concession Contract").

The Concession is for a 30-year period ending June 26, 2029, unless terminated or expired prior to such date pursuant to the Concession Contract. The first segment of the Corredor Sur, the Tocumen-Costa del Este section, opened in June 1999 and the final segment opened in February 2000. The Corredor Sur has been fully operational since February 29, 2000.

The early stages of construction conducted under the Concession were primarily financed with bridge loans that the Concessionaire guaranteed. In September 1999, the Concessionaire, through a trust, entered into a US\$70 million loan agreement with the International Finance Corporation (the "IFC") and commercial lenders, the proceeds of which were used to refinance the outstanding bridge loans (the "IFC Loan"). As of March 31, 2005, US\$52,125,000 in principal of the IFC Loan remained outstanding. The IFC Loan will be prepaid with a portion of the proceeds of the offering of the notes.

The Concessionaire's primary source of revenues is the collection of tolls along the Corredor Sur (the "Tolls"). Currently, the Tolls for traveling the entire length of the Corredor Sur are US\$2.40, US\$4.15 and US\$6.05 for automobiles, buses and commercial trucks, respectively. Toll revenues were US\$17,074,696 in 2004 and US\$4,321,038 in the first three months of 2005.

The Concessionaire also derives ancillary services revenues under the Concession by subcontracting to third parties operating along the Corredor Sur. The Concessionaire has entered into an ancillary service agreement

with Publitop de Panamá, S.A. relating to advertising sign displays along the Corredor Sur. In addition, The Shell Company (W.I.) Ltd. Panama has a subcontract to provide two gas stations with an automobile repair shop and a convenience store. The Concessionaire had revenues of US\$283,614 in 2004 from ancillary service agreements.

The Concessionaire entered into an operations and maintenance agreement on September 6, 1999, with an affiliate, Maxipista de Panamá, S.A. (“*Maxipista*”) as the operator thereunder (in such capacity, the “*Operator*”). Maxipista is a wholly owned indirect subsidiary of Empresas ICA (as defined below). Under the terms of the operations and maintenance agreement, the Operator is responsible for, among other things, the operation, management and maintenance of the Corredor Sur throughout the period of the Concession in accordance with the terms and conditions of the Concession Contract. As of May 12, 2005, this agreement has been amended to reflect certain objective standards by which the performance of Maxipista can be measured. See “Description of the Transaction Documents—Operation and Maintenance Agreement.” The term “*O&M Agreement*” as used herein refers to the agreement as amended, unless the context otherwise requires.

In addition, the Concessionaire generates revenues from the improvement and sale of land and marine reclamation areas received from the Panamanian government as part of the Concession. In connection with the offering of the notes, the Concessionaire will not assign to the Issuer any of its rights relating to such land and marine reclamation areas. As of March 31, 2005, the Concessionaire had received a total of 25.4 hectares out of the 29.5 hectares of land required to be transferred to the Concessionaire pursuant to the Concession Contract, and had obtained 23.4 hectares out of 35 hectares of marine area fill-in rights granted to the Concessionaire as part of the Concession. However, as a result of a decision by the *Corte Suprema de Justicia* (Supreme Court of Panama) relating to the constitutionality of transferring marine fill-in rights, the Concessionaire may not receive the 11.6 hectares of marine fill-in rights that remain to be conveyed to the Concessionaire under the Concession Contract. If such rights are not received, the MOP is obligated to find alternative means of compensating the Concessionaire. See “The Corredor Sur—Legal Proceedings.”

Under an assignment agreement (the “*Assignment Agreement*”), ICA Panama will assign to the Issuer certain of its rights under the Concession, including its rights to receive Tolls, proceeds from ancillary service agreements, certain payments from the Panamanian government and certain other payments, in each case as more fully described herein. In addition, pursuant to a guaranty trust agreement (the “*Guaranty Trust Agreement*”), ICA Panama’s sole shareholder, ICATECH Corporation, a Florida corporation (“*ICATECH*”), will provide the trustee under the indenture governing the notes, on behalf of the holders of the notes, the right to vote the shares of ICA Panama on certain critical decisions and will pledge the shares of ICA Panama to the indenture trustee, which pledge will be exercisable only following an Event of Default under the indenture governing the notes. For a discussion of the critical decisions and the share pledge, see “Description of the Transaction Documents—Guaranty Trust Agreement.”

The Concessionaire is indirectly controlled, through ICATECH, by Empresas ICA, S.A. de C.V., a *sociedad anónima de capital variable* (corporation with variable capital) organized and existing under the laws of Mexico (“*Empresas ICA*”). Empresas ICA is domiciled in Mexico and is the largest engineering, construction and procurement company in Mexico and its shares and American Depositary Shares are listed on the *Bolsa Mexicana de Valores* (the Mexican Stock Exchange) and the New York Stock Exchange, respectively. Acting through its subsidiaries, Empresas ICA is engaged in a full range of construction and related activities involving the construction of infrastructure facilities, as well as industrial, urban and housing construction. Empresas ICA is also engaged in the development and marketing of real estate, the construction, operation and maintenance of airports, highways, bridges and tunnels and the management and operation of water supply systems, water treatment plants and solid waste disposal systems, in each case under concessions granted to its subsidiaries by governmental authorities. The Corredor Sur is the largest single investment of Empresas ICA in terms of asset value.

The Corredor Sur

The Corredor Sur is a 19.76 km four-lane urban toll road in Panama City that runs in a north-east/south-west direction along the coast, connecting the western sector of Panama City (Paitilla), which includes the main business and financial district of Panama City, and the eastern sector (Tocumen), which includes suburban areas, the Tocumen International Airport and the Pan American Highway. The Corredor Sur was conceived to alleviate severe

congestion experienced within the existing road network traveling between Tocumen International Airport and the central business district in Panama City.

The Corredor Sur is composed of three principal sections: a 13.5 km segment running from Tocumen to Costa del Este over land, a 3.3 km marine viaduct between Costa del Este and Atlapa, and a 2.96 km segment including an oversea causeway within the urban sector running from Atlapa to Paitilla. When traveling on the toll road from east to west (Tocumen to Paitilla), there are nine access points to the toll road and nine exit points. When traveling from west to east (Paitilla to Tocumen), there are eight access points to the toll road and eight exit points.

The Corredor Sur operates on an “open toll” system. Toll plazas are located at all access points at the Atlapa and Ciudad Radial intersections and roads joining/leaving the road from/to the east at Costa del Este and Hipódromo. Tolls are collected manually and through pre-paid swipe cards through forty-two toll booths along the Corredor Sur. During 2004, approximately 20% of Corredor Sur drivers used the pre-pay system.

During 2004, the average tolled traffic per day on the Corredor Sur was 46,754 vehicles, representing average daily traffic growth of 8.7% for the year 2004 as compared to 2003. Construction at a number of major real estate development sites along the Corredor Sur either has already taken place or is expected shortly, including residential and commercial development at Costa del Este, the Punta Pacífica area at the site of the former Paitilla Airport and the neighboring marine reclamation areas, as well as the expansion of the Tocumen International Airport. According to the Independent Traffic Study, traffic growth on the Corredor Sur may be constrained due to severe congestion in the existing highway network that parallels the Corredor Sur.

Business Strategy Relating to the Corredor Sur

The Concessionaire seeks to increase toll revenues from the Corredor Sur by optimizing toll rates and improving the toll collection system.

Optimizing Toll Rates. Throughout the operation of the Concession, the Concessionaire is authorized to make annual toll rate increases to reflect Panamanian inflation, or more frequently when the inflation level in Panama increases by at least 5% compared to the most recent toll rate increase, in each case subject to verification of the calculation by the MOP. From June 2002 through May 2008, the Concessionaire is permitted to increase toll rates by 25% in real terms per year without consent or verification by the MOP. In addition, the Concessionaire may increase Tolls whenever it deems necessary, so long as it receives the approval of the MOP and the Panamanian *Consejo de Gabinete* (Council of Ministers). The Concessionaire’s most recent toll increase occurred in June 2004 and applied only to automobiles at a certain exit location. In 2004, the Concessionaire’s toll revenues increased by 11.5% with an 8.7% increase in traffic volume compared to 2003. The Concessionaire believes that the implementation of toll rate increases tailored to its specific observations about traffic patterns and volume on the Corredor Sur will optimize revenues in the future. Accordingly, the Concessionaire plans to continue to selectively increase toll rates at certain toll stations as it deems appropriate. In addition, the Concessionaire expects to evaluate the implementation of another toll rate increase in 2005.

Improving the Toll Collection System. The Concessionaire believes the construction of additional toll booths at certain exit points will reduce vehicle congestion at toll booths during peak times of travel, thereby encouraging increased usage of the Corredor Sur. The Concessionaire is currently contemplating the construction of up to seven additional toll booths, to the extent warranted by traffic growth, to reduce vehicle congestion at toll booths during peak travel times at certain locations. In addition, the Concessionaire believes that the implementation of an electronic toll collection system would be an effective way to increase capacity at toll plazas. Currently the Concessionaire is evaluating the cost and timing of adopting an electronic toll collection system in the future if traffic volume continues to increase.

Independent Traffic Study

Merrill Lynch, as financial advisor to ICA Panama, appointed Halcrow to conduct an independent assessment of the likely future traffic and revenue stream of the Corredor Sur and to provide an opinion on the

condition of the Corredor Sur and its likely future maintenance requirements. Halcrow's report, dated October 2004 (the "*Independent Traffic Study*"), is attached as Annex B to this offering memorandum.

The Independent Traffic Study provided three forecasts of annual toll revenues of the Corredor Sur: a base case assuming toll increases of 25% in July 2005 and July 2007 with the growth rate of background traffic declining at 1% *per annum* from 2006; a no toll increase case with the growth rate of background traffic declining at 1% *per annum* from 2006; and an optimistic case assuming two 25% toll increases in real terms and with the growth rate of background traffic declining at 0.5% per annum from 2006. The base case forecast shows annual toll revenues reaching approximately US\$34.9 million in 2029, a 2.9% average annual increase in revenues from 2004. The no toll increase forecast shows annual toll revenues of approximately US\$28.9 million in 2029, a 2.1% average annual increase in revenues from 2004. The optimistic forecast projects higher growth in revenues.

According to the Independent Traffic Study, the key risks to these forecasts are: (1) the rate of background traffic growth, (2) the development of certain new transport infrastructure such as the Corredor Norte extension, (3) an economic recession or economic boom in Panama and (4) a response by drivers to toll increases that is different from their response to a June 2002 toll increase.

Among the conclusions of the Independent Traffic Study, with respect to traffic and Tolls, were the following:

- Traffic growth on the Corredor Sur is high at present (an average of 8% *per annum* since 2000 excluding the effect of toll increases) but will be constrained in the future by the capacity in the morning peak travel period of the Atlapa – Costa del Este bridge and the associated toll plazas dealing with this traffic, as well as by traffic congestion in the city center and on other roads along the corridor. Future growth in Corredor Sur's traffic can be expected to decline towards the rate, experienced in the general corridor of traffic routes that parallel the Corredor Sur, of 2% *per annum* as its traffic will be constrained by access and egress difficulties.
- Tolls may be increased by 25% *per annum* in accordance with the Concession Contract, but Tolls are already relatively high (by comparison with other toll roads in North, Central and South America and similar toll roads in Europe) and there was considerable consumer resistance to the June 2002 increases such that the extra revenue generated appears to have been modest.

The forecasts and conclusions of the Independent Traffic Study are inherently subject to unpredictable factors. Even if the assumptions and methodologies in the Independent Traffic Study are accurate, the actual traffic volumes and patterns may differ materially from those expressed or implied in the Independent Traffic Study. Accordingly, investors are urged not to place undue reliance on the Independent Traffic Study.

THE OFFERING

The Issuer, the Corredor Sur and the Concession

<i>The Issuer</i>	<p>BG Trust, Inc., not in its individual capacity but solely as trustee of the Corredor Sur Trust. The primary beneficiary of the Corredor Sur Trust will be the Indenture Trustee (as defined herein). The settlor and secondary beneficiary of the Corredor Sur Trust will be ICA Panama. The activities of the Issuer will be limited to activities relating to the administration of the Corredor Sur Trust as permitted under the Trust Agreement, as more fully described under “Description of the Notes – Certain Covenants of the Issuer – Activities of the Issuer.”</p> <p>Under the Assignment Agreement, ICA Panama will assign the Assigned Rights (as defined below) to the Issuer.</p>
<i>The Corredor Sur</i>	<p>The Corredor Sur is a 19.76 kilometer (12.3 mile) concrete-paved highway consisting of two travel lanes in each direction extending from the city center of Panama City to the Tocumen International Airport. The Corredor Sur provides a high-speed link between the western sector of the city, which includes the main commercial and financial districts of the city, and the eastern sector, which includes newly developed suburban areas, the international airport and the Pan American Highway. The Corredor Sur, the first portion of which opened in 1999, was constructed under the direction of ICA Panama and has been fully operational since February 29, 2000.</p>
<i>The Concession</i>	<p>Under the terms of the Concession, ICA Panama has the right to collect and receive Tolls during the life of the Concession; subject to governmental approval, the right to assign certain rights of the Concession (including the right to Tolls) to third parties; the right to establish an administrative trust for financing purposes; rights to 29.5 hectares of land comprising the former Marcos A. Gelabert, or Paitilla, Airport (the “<i>Paitilla Airport</i>”) site; and reclamation rights with respect to a 35-hectare marine area. The Concession expires on June 26, 2029 unless expired or terminated earlier in accordance with the Concession Contract. For a description of the reasons for which the Concession may be terminated or expire prior to the stated expiration, see “The Concession—Expiration and Early Termination.”</p>
<i>The Tolls</i>	<p>From June 2002 through May 2008, ICA Panama is permitted to increase Toll tariffs by a real rate of 25% <i>per annum</i>, in addition to annual inflation adjustments. Under the Concession Contract, Toll rates can be reviewed and/or modified as often as necessary, subject to governmental approval.</p>

Currently, the Toll rates are as follows:

<u>Vehicle Class</u>	<u>Description</u>	<u>Toll Rate (US\$)*</u>
A	Automobiles, motorcycles and pick-ups	0.12
B	Buses	0.21
C	Trucks	0.31
D	Trucks with trailers	0.31

*Average toll rate per kilometer, assuming a complete journey of 19.76 km.

The Concessionaire

ICA Panama was formed on March 16, 1995 for the sole purpose of serving as the concessionaire under the Concession and has no other commercial activities. ICA Panama is wholly owned by ICATECH, which is in turn wholly owned by Empresas ICA. Empresas ICA is the largest engineering, construction and procurement company in Mexico. Acting through its subsidiaries, Empresas ICA is engaged in a full range of infrastructure, industrial, real estate development and urban and housing construction activities. The Corredor Sur is the largest single investment of Empresas ICA in terms of asset value.

Assigned Rights and Excluded Rights

Pursuant to the Assignment Agreement, ICA Panama will assign to the Issuer: (i) the right to receive all Tolls collected from the Corredor Sur, (ii) the rights under and proceeds received pursuant to any ancillary service agreements (each, an “*Ancillary Service Agreement*”), (iii) the right to receive compensation from the Panamanian government in order to maintain “contractual equilibrium” in accordance with the last paragraph of Article 18 of the Concession Contract (except with regard to compensation described in clause (iii) of the definition of Excluded Rights (as hereinafter defined)), (iv) the right to receive payment as a result of an administrative redemption by the Panamanian government pursuant to Article 10 of the Concession Contract and (v) the right to receive the proceeds of any business interruption, property casualty or general liability insurance payments, excluding all insurance proceeds payable to parties other than ICA Panama or the Issuer. The rights assigned pursuant to the Assignment Agreement are hereinafter referred to as the “*Assigned Rights*.” ICA Panama received the required government approval to assign the Assigned Rights to the Issuer on February 2, 2005.

“*Excluded Rights*” means (i) marine reclamation rights relating to approximately 35 hectares to be developed between the former Paitilla Airport site and the Atlapa Convention Center, (ii) real property consisting of approximately 29.5 hectares of land comprising the former Paitilla Airport site and the right to fill in certain additional marine reclamation areas as set forth in paragraph 6 of Article 5 of the Concession Contract (the preceding clauses (i) and (ii) comprising the “*Original Concession Land Rights*”), (iii) the rights of ICA Panama to receive compensation under the Concession Contract in respect of such Original Concession Land Rights, (iv) all fiscal benefits accorded to the Concessionaire as set forth in Article 6 of the Concession Contract, (v) all rights that are ancillary or related to any of the foregoing (including proceeds received by ICA Panama as a result of the arbitration between ICA Panama and the MOP resolved on July 9, 2004 and other rights

arising from litigation, arbitration or claims relating to Excluded Rights) and (vi) any other rights of the Concessionaire not specifically included in the definition of Assigned Rights.

The Instructor.....

Under the Trust Agreement, the beneficiary who is the Instructor (the “*Instructor*”) will be entitled to instruct the Issuer regarding a number of operational matters in respect of the Corredor Sur Trust, including investments of funds in certain accounts, dealings with counterparties under the Transaction Documents (as defined herein) and granting powers of attorney. If an Event of Default occurs, and so long as such Event of Default is continuing, the Indenture Trustee (as defined herein) or its designee may designate a successor Instructor under Trust Agreement; at all other times ICA Panama will be the Instructor.

The Operator

Maxipista, a wholly owned indirect subsidiary of Empresas ICA, is currently providing services for the operation and routine maintenance of the Corredor Sur and the collection of Tolls and will continue to provide such services pursuant to the O&M Agreement. The Instructor will be entitled to remove Maxipista and appoint a new Operator under the O&M Agreement and/or enter a new operating and maintenance agreement with a different Operator if a default under the O&M Agreement has occurred. See “Description of Transaction Documents—O&M Agreement.”

The Notes

Securities Offered.....

US\$150,000,000 of 6.95% notes due 2025. The notes will be issued by the Issuer.

Denominations

The notes will be offered for purchase in minimum authorized denominations of US\$1,000 and integral multiples of US\$1,000 in excess thereof.

Final Payment Date

Unless redeemed prior thereto, the final payment on the notes will be made on the Payment Date (as defined below) occurring in 2025 (the “*Final Payment Date*”).

Use of Proceeds

After the payment of the initial purchaser’s commission and other expenses relating to this offering of the notes, the Concessionaire intends to apply the proceeds on deposit in the Note Issuance Proceeds Account:

- to repay the IFC Loan;
- to fund the Debt Service Reserve Account, the Major Maintenance Reserve Account and the Litigation Reserve Account; and
- for working capital purposes of the Concessionaire, which will include repayment of all existing accounts payable in respect of transactions with affiliates incurred in connection with the construction, maintenance and operation of the Corredor Sur; and
- to transfer funds to ICATECH for further transfer to Empresas ICA primarily for the reduction of its debt and for general corporate purposes.

Indenture Trustee	The Bank of New York, a New York banking corporation, not in its individual capacity but solely as trustee (in such capacity, the “ <i>Indenture Trustee</i> ”), will act as trustee for the notes under the indenture to be entered into among the Indenture Trustee, the Issuer and ICA Panama (the “ <i>Indenture</i> ”).
Secured Parties	“ <i>Secured Parties</i> ” means each of the Indenture Trustee and the holders of notes (or beneficial interests therein) (the “ <i>Noteholders</i> ”); <i>provided</i> that such term will not include the Issuer or ICA Panama or any of its respective affiliates other than to the extent that such person is a Noteholder.
Payment Dates	Commencing on August 25, 2005 and thereafter the 25th day of each November, February, May and August; <i>provided</i> that, if any such date is not a New York Business Day, the next succeeding New York Business Day (each such date, a “ <i>Payment Date</i> ”). Except in the circumstances set forth below under “— Events of Default,” the Issuer may not redeem the notes, in whole or in part, except on a Payment Date. “ <i>New York Business Day</i> ” means a day other than a Saturday, Sunday or other day on which banking institutions in New York City, New York are permitted or required by applicable law to remain closed.
Interest	Interest on the notes will be paid on each Payment Date at the rate of 6.95% <i>per annum</i> and will accrue from May 25, 2005; <i>provided</i> that, with respect to any amounts not paid when due, such rate will be an additional 2% <i>per annum</i> above such rate.
Interest-Only Period	No principal is scheduled to be paid in respect of the notes during the period (the “ <i>Interest-Only Period</i> ”) from and including the Closing Date to but excluding the August 25, 2008 Payment Date; <i>however</i> , principal may be paid earlier on any date of payment by ICA Panama of a Redemption Payment with respect to the notes as described in “— Optional Redemption” and “—Redemption for Tax Reasons” below.
Principal Payments; Scheduled Amortization Period	On each Payment Date, commencing on the first Payment Date after the Interest-Only Period and ending on the Final Payment Date, in addition to interest and Additional Amounts (as hereinafter defined) (if any), the Noteholders will be entitled to receive a quarterly principal amortization amount specified in accordance with the schedule set forth in Annex D to this offering memorandum (the “ <i>Quarterly Amortization Amount</i> ”).
Collateral	Payment of principal, interest and all other amounts under the notes will be secured by a first priority perfected security interest (or the equivalent thereof under Panamanian law) in the following: (a) 100% of the shares of capital stock of ICA Panama pursuant to the Guaranty Trust Agreement; (b) the Assigned Rights; and (c) the Transaction Accounts (as defined below). Under an assigned rights pledge agreement (the “ <i>Assigned Rights Pledge Agreement</i> ”) the Issuer will create a pledge of the Assigned Rights in favor of the Indenture Trustee, subject to New York law, except that the execution, delivery, grant of a security interest,

perfection, priority and enforcement will be governed by Panamanian law. The Indenture Trustee will be entitled to sell, dispose of or otherwise transfer the Assigned Rights without the consent of the Issuer. A sale of the Assigned Rights will, however, require approval from the MOP. See “Risk Factors—Certain Risks Relating to the Notes – Rights under the Indenture with respect to actions that may be taken by the Indenture Trustee if an event of default occurs may be limited.”

The Issuer, the Indenture Trustee and each of the financial institutions maintaining a Transaction Account (as hereinafter defined) will enter into an account control agreement (each, a “*Control Agreement*”) whereby such financial institution will acknowledge that the Indenture Trustee will in specified circumstances have the right to provide direction with respect to such account and the assets credited thereto and otherwise control such account. As part of the arrangements entered into in respect of the Assigned Rights Pledge Agreement and Control Agreement for the deposit accounts to be maintained by the Issuer with a financial institution in Panama, the Issuer, the Indenture Trustee and Banco General, S.A., as collateral agent, will enter into a collateral agency agreement.

***Transaction Accounts***

The Issuer will establish and maintain various operating accounts (the “*Transaction Accounts*”), including a note issuance proceeds account (the “*Note Issuance Proceeds Account*”), a collection account (the “*Collection Account*”), an operations and maintenance expense account (the “*Operating Account*”), a reserve account in respect of major scheduled maintenance expenses (the “*Major Maintenance Reserve Account*”), a senior debt payment account (the “*Senior Debt Account*”), a debt service reserve account (the “*Debt Service Reserve Account*”), a litigation reserve account with regard to certain ICA Panama legal proceedings (the “*Litigation Reserve Account*”), an account for excess revenues (the “*Excess Cash Flow Account*”), an account intended to hold proceeds of insurance policy payments arising from any insurance that comprises the Assigned Rights (the “*Insurance Account*”) and an account designed to address the risk that the Concession may expire prior to the stated expiration date due to ICA Panama having achieved the “*monto recuperable*,” or recoverable amount, under the Concession (the “*Monto Recuperable Account*”). The balance of the Transaction Accounts remaining after the notes and all other amounts owing in respect of the Indenture and the Trust Agreement have been paid in full will be released to ICA Panama.

Note Issuance Proceeds Account. The proceeds of the issuance of the notes will be deposited into the Note Issuance Proceeds Account and applied as specified under “—Use of Proceeds”. The Note Issuance Proceeds Account will be maintained by the Issuer in the United States with the global structured finance unit of the Indenture Trustee.

Collection Account. The Issuer will deposit into the Collection Account amounts transferred from other accounts in accordance with the Trust Agreement, including Tolls collected and deposited by the Operator; proceeds of business interruption insurance; funds received pursuant to any Ancillary Service Agreements and the O&M Agreement; administrative redemption payments received in respect of any administrative redemption of the Concession Contract; and any

income tax indemnity payments made by ICA Panama. The Collection Account will be maintained in Panama by the Issuer with Banco General, S.A.

Three Business Days prior to the last Business Day of each month (each, a “*Monthly Transfer Date*”), the Issuer will cause funds in the Collection Account (and, to the extent of any shortfall in the Collection Account, in the Excess Cash Flow Account to the extent of funds therein) to be disbursed in the following order of priority:

- to the Operating Account, an amount equal to (1) the fees and expenses of the trustee of the Corredor Sur Trust and the trustee under the Guaranty Trust Agreement; (2) if ICA Panama is no longer the Instructor, the fees and expenses of the successor Instructor; (3) up to 110% of the insurance and administrative expenses payable to the Concessionaire and the expenses for minor maintenance and Concessionaire operations incurred pursuant to the O&M Agreement, in each case, budgeted for the following month as set forth in the most recent annual budget completed by ICA Panama and submitted to the Local Trustee, the Indenture Trustee and each Rating Agency (the “*Expense Budget*”), such expenses to be subject to inflation adjustments as set forth in the Trust Agreement; *provided* that the amount contemplated by this clause (3) when added to amounts allocated pursuant to this clause (3) on the immediately preceding 11 Monthly Transfer Dates will not exceed US\$5,200,000 or, for any Monthly Transfer Date occurring within the first twelve months following the Closing Date, a pro rata amount of US\$5,200,000 based on the actual number of months elapsed, subject, in each case, to inflation adjustments as set forth in the Trust Agreement; and (4) 100% of the Panamanian income taxes relating to the Corredor Sur estimated by ICA Panama to be payable during the following month;
- to the Senior Debt Account, in an amount equal to one-third of all principal, interest, fees and other amounts due and payable with respect to the notes on the next succeeding Payment Date;
- to the Debt Service Reserve Account, such amount as may be necessary to bring the balance of such account (when added to the then-stated amount of the Reserve LC (as hereinafter defined)) to the Required Debt Service Reserve Balance (as hereinafter defined);
- to the Major Maintenance Reserve Account, such amount as may be required to bring the balance of such account to the Required Major Maintenance Reserve Balance (as hereinafter defined);
- to the Monto Recuperable Account, such amount as may be required to bring the balance of such account to the Required Monto Recuperable Balance (as hereinafter defined);
- to the Litigation Reserve Account, such amount, if any, as may be required to bring the balance of such account to the Required Litigation Reserve Balance (as defined herein); and

- all remaining amounts to the Excess Cash Flow Account.

“*Business Day*” means any day other than a Saturday, Sunday or other day on which banking institutions in New York City, New York or Panama City, Panama are permitted or required by applicable law to remain closed; *provided* that, with respect to any actions taken or to be taken by the Indenture Trustee, such term also excludes any other day on which such person is not open for business.

Operating Account. The Issuer will deposit into the Operating Account all amounts required to be transferred thereto from the Collection Account. The Operating Account will be maintained in Panama by the Issuer with Banco General, S.A. The Issuer will cause funds in the Operating Account to be disbursed at any time to pay in the following priority:

- the fees and expenses of the trustee of the Corredor Sur Trust and the trustee under the Guaranty Trust Agreement and, if ICA Panama is not the Instructor, the fees and expenses of the successor Instructor as directed by such person; and
- upon the instruction of the Instructor, to pay amounts for (1) insurance and administrative expenses payable to the Concessionaire and expenses for minor maintenance and Concessionaire operations incurred pursuant to the O&M Agreement, in each case as contemplated by the Expense Budget and (2) Panamanian income taxes relating to the Corredor Sur then payable.

Major Maintenance Reserve Account. The Major Maintenance Reserve Account will be funded on the date of the settlement date of the notes offered hereby (the “*Closing Date*”) from the Note Issuance Proceeds Account in an amount equal to US\$3,000,958. The Major Maintenance Reserve Account will be maintained by the Issuer in the United States with the global structured finance unit of the Indenture Trustee. On each Monthly Transfer Date, so long as the Issuer has not received notice of acceleration of the maturity of the notes as the result of an occurrence of an Event of Default, the Issuer will instruct the Indenture Trustee to disburse funds in the Major Maintenance Reserve Account upon the instructions of the Instructor in the following order of priority:

- to the Operating Account, to the extent such account would not otherwise be fully funded to meet disbursements due the following month;
- (i) to ICA Panama or the Operator, as requested by the Instructor in writing, for expenditures during the calendar year (and not previously spent in that year) for major maintenance work to be performed on the Corredor Sur in accordance with the Major Maintenance Budget (as defined below). Such written request shall set forth scheduled major maintenance, emergency maintenance and other major maintenance work to be done in such following month and detail by category the costs involved in performing such work; and (ii) to ICA Panama or the Operator, in the event that the Instructor and the Independent Engineer (as

defined below under “—Principal Covenants of ICA Panama”) certify in writing to the Local Trustee that emergency expenditures are required to mitigate or remediate a major maintenance emergency on the Corredor Sur (over amounts provided for in the Major Maintenance Budget) in an amount not to exceed amounts remaining in the Major Maintenance Reserve Account; *provided* that if the estimated expenses required to mitigate or remediate such emergency will not exceed US\$100,000 (subject to inflation adjustments as set forth in the Trust Agreement), then the certification from the Independent Engineer may be replaced with a certification from a Panamanian affiliate or branch of an internationally recognized and active, highly qualified and experienced independent engineering firm; and

- to the extent remaining funds in the Major Maintenance Reserve Account exceed the Required Major Maintenance Reserve Balance (as hereinafter defined), to the Collection Account.

The “*Major Maintenance Budget*” will be an annual budget, submitted no later than December 1 of each year to the Local Trustee, the Indenture Trustee and each Rating Agency, which will set forth the major maintenance expenditures for the next calendar year.

The required balance of the Major Maintenance Reserve Account will be adjusted periodically so that such amount at any time will equal the sum of (a) the amount (which amount will be set forth on a schedule to the Indenture, as updated from time to time in accordance with the most recent Independent Engineering Report (as defined below under “—Principal Covenants of ICA Panama”)) scheduled to be spent over the course of the next 24 months in respect of major repair and maintenance of the Corredor Sur and (b) for any date of determination prior to December 31, 2007, US\$1,000,000 (the “*Required Major Maintenance Reserve Balance*”).

Senior Debt Account. The Issuer will deposit into the Senior Debt Account all amounts required to be transferred thereto from the Collection Account and, if necessary, from the Debt Service Reserve Account and/or a drawing under the Reserve LC and/or the Excess Cash Flow Account. The Senior Debt Account will be maintained by the Issuer in the United States with the global structured finance unit of the Indenture Trustee. The Issuer will instruct the Indenture Trustee to disburse funds on deposit in the Senior Debt Account in the following order of priority:

- to pay fees and expenses due and payable under the Indenture;
- to pay interest due and payable in respect of the notes;
- to pay principal due and payable in respect of the notes; and
- to pay any other amounts due and payable in respect of the notes or under the Indenture.

Debt Service Reserve Account. The Debt Service Reserve Account will be funded on the Closing Date from the Note Issuance Proceeds

Account with an amount in cash equal to US\$10,425,000, which represents the sum of the amount of interest and principal scheduled to be paid on the first four Payment Dates succeeding the Closing Date. The required balance of the Debt Service Reserve Account will be adjusted periodically thereafter so that such amount at any time will equal an amount (which amount will be set forth in a schedule to be appended to the Indenture) representing the amount of principal and interest scheduled to be paid in respect of the notes over the course of the immediately succeeding four Payment Dates or, in the case of any such calculation made during the Interest-Only Period, the amount of principal and interest scheduled to be paid on the first four Payment Dates succeeding the Interest-Only Period (such required amount being the “*Required Debt Service Reserve Balance*”). The Debt Service Reserve Account will be maintained by the Issuer in the United States with the global structured finance unit of the Indenture Trustee. On each Monthly Transfer Date, so long as no Event of Default is continuing, the Indenture Trustee will disburse funds in the Debt Service Reserve Account upon the instructions of the Issuer in the following order of priority:

- to the Senior Debt Account, to the extent such account would not otherwise be fully funded on such Monthly Transfer Date; and
- to the extent remaining funds in the Debt Service Reserve Account exceed the amount required to be held therein, to the Collection Account.

In addition, with the consent of the Controlling Party (as defined herein), the Issuer may disburse available funds from the Debt Service Reserve Account to the Litigation Reserve Account, in the event of a final, non-appealable adverse litigation judgment or arbitral award entered into against ICA Panama in respect of an Existing Legal Proceeding (as defined herein), to pay amounts owed as part of such judgment in excess of amounts available in the Litigation Reserve Account for such payment.

Beginning on the date that is one year following the Closing Date, as an alternative to maintaining on deposit all or a portion of the amount in the Debt Service Reserve Account, Empresas ICA (or any affiliate thereof other than ICA Panama or the Issuer) may cause a Qualified Reserve LC Bank to open in favor of the Indenture Trustee an unconditional, irrevocable standby letter of credit (a “*Reserve LC*”). As a condition to causing a Reserve LC to be issued, the party on whose behalf such instrument is being opened shall provide the Indenture Trustee a written undertaking not to seek from ICA Panama or the Issuer any claim for reimbursement of payments made to the Qualified Reserve LC Bank in respect of the Reserve LC unless and until the notes and all other amounts owing in respect of the Indenture have been paid in full.

Each Reserve LC will be denominated and payable in U.S. Dollars and will be issued (or confirmed) by a financial institution (a “*Qualified Reserve LC Bank*”) located in the United States that: (a) has a short term unsecured senior debt or deposit rating of at least “A-1” by S&P and “P-1” by Moody’s (and, if rated by Fitch, at least “F-1” by Fitch), (b) has a long term senior unsecured debt rating of at least “A” by S&P

and “A-2” by Moody’s (and, if rated by Fitch, at least “A” by Fitch) and (c) is not on any negative credit watch or similar list by any Rating Agency.

The expiration date of any Reserve LC will be required initially to be at least one year after the date of issuance of the Reserve LC. If, with respect to any scheduled expiration of any such Reserve LC, other than an expiration date after the Final Payment Date, the expiration date thereof is not extended until at least the earlier of (a) the first anniversary of such current expiration date and (b) the date that is ten (10) days after the Final Payment Date, as confirmed by the issuing/confirming Qualified Reserve LC Bank to the Indenture Trustee (or replaced by another Reserve LC) prior to 30 days before the expiration date thereof, then the Indenture Trustee will draw the full amount thereof before the expiration thereof (but in no event before the fifth New York Business Day before such expiration) and deposit such amount in the Debt Service Reserve Account.

Monto Recuperable Account. On each date that ICA Panama provides or is required to provide to the Indenture Trustee its annual financial statements, ICA Panama will provide the Indenture Trustee and the Issuer a forecast, based on reasonably detailed calculations made on the basis of the forecasts (for any periods when actual data is not then available) included in the most recently delivered Independent Traffic Report, showing whether the “*monto recuperable*” under the Concession Contract will be achieved during the succeeding five-year period and, if not, what amount of the portion of the “*monto recuperable*” will be achieved during such five-year period. If any such forecast shall show that ICA Panama will achieve 90% or more of the *monto recuperable* under the Concession during such period, then, beginning on the Monthly Transfer Date next following the day on which the Issuer shall have received a copy of such forecast, the Issuer will begin to fund the Monto Recuperable Account in an amount equal to such amount as may be available for such purpose in the Collection Account, such funding to continue on each Monthly Transfer Date thereafter until the balance collectively on deposit in the Debt Service Reserve Account (and/or available under the Reserve LC) in respect of principal for the notes and the Monto Recuperable Account (such amount being the “*Required Monto Recuperable Balance*”) equals the principal amount of notes then outstanding; *provided that*, if any two such subsequent forecasts (each conducted at not less than a six-month interval from the previous such forecast) shall show that ICA Panama will not achieve such 90% level, then on the next succeeding Monthly Transfer Date any amount in the Monto Recuperable Account may be transferred to the Excess Cash Flow Account upon the instructions of the Instructor. The Monto Recuperable Account will be maintained by the Issuer in the United States with the global structured finance unit of the Indenture Trustee.

Insurance Account. The Issuer will deposit into the Insurance Account all proceeds from any insurance that comprises part of the Assigned Rights; *provided that* the Issuer will deposit into the Collection Account the proceeds of any business interruption insurance. The Insurance Account will be maintained by the Issuer in the United States with the global structured finance unit of the Indenture Trustee. So long as no Event of Default is continuing and the amount of funds required

to repair major property damage to the Corredor Sur or pay any other claim against the Issuer or liability arising in respect of the Corredor Sur does not exceed US\$5,000,000, the Issuer will disburse funds in the Insurance Account upon the instructions of ICA Panama to cover any indemnification, repair or other payment in respect of the major property damage or liability events insured. In the event that the required expenditures to repair such damage or pay such other claim or liability will exceed US\$5,000,000 but will not exceed US\$15,000,000, the Issuer will cause funds in the Insurance Account to be disbursed, subject to conditions specified in the Transaction Documents, to cover any indemnification, repair or other payment in respect of the major property damage or liability events insured. In the event that the required expenditures to repair such damage or pay such other claim or liability events will exceed US\$15,000,000, the Issuer will cause funds in the Insurance Account to be disbursed only upon the instructions of the Indenture Trustee acting upon written instructions of the Controlling Party. Any funds remaining in the Insurance Account after all related repairs have been made or claims have been satisfied will be transferred to the Collection Account. All such amounts reference above shall be adjusted for Panamanian inflation.

Litigation Reserve Account. On the Closing Date, the Issuer will establish in Panama with Banco General, S.A. a litigation reserve account (the “*Litigation Reserve Account*”) in order to provide funds for the satisfaction of any judgments or settlements in respect of the legal proceedings in which ICA Panama is a party and that are pending as of the Closing Date (the “*Existing Legal Proceedings*”). The Litigation Reserve Account will be funded on the Closing Date from the proceeds of the offering of the Notes in the amount of US\$1,820,000 (the “*Initial Litigation Reserve Balance*”).

Thereafter, on any Monthly Transfer Date when the balance on deposit in the Litigation Reserve Account is less than the Required Litigation Reserve Balance then in effect, the Issuer will cause funds (to the extent available) that would otherwise be deposited in the Excess Cash Flow Account to be deposited in the Litigation Reserve Account until such time as the balance thereof equals the Required Litigation Reserve Balance. The “*Required Litigation Reserve Balance*” will mean the Initial Litigation Reserve Balance *plus* each amount awarded against ICA Panama as part of any adverse judgment in an Existing Legal Proceeding (to the extent such award is in excess of such portion, if any, of the Initial Litigation Reserve Balance set aside with respect to such proceeding as so specified in the Indenture and, if so specified in the Indenture, only in the event that such judgment is rendered at the Panamanian intermediate court of appeals level) *minus* any amount previously set aside in the Litigation Reserve Account (whether as part of the Initial Litigation Reserve Balance, or subsequently) in respect of an Existing Legal Proceeding that has been “resolved” and *minus*, if such adverse judgment is at a Panamanian court of appeals and an amount with respect to such proceeding has been previously set aside in the Litigation Reserve Account, such amount so previously set aside.

An Existing Legal Proceeding will be considered “resolved” upon the first to occur of (i) a final, non-appealable judgment or arbitral decision being rendered in respect of such proceeding, (ii) ICA Panama’s determination that further appeal of such proceeding is not in its best

interests, (iii) dismissal with prejudice of such proceeding, (iv) the execution of a legally binding settlement agreement by ICA Panama with respect to such proceeding, or (v) dismissal of such proceeding for lack of prosecution; *provided*, that in the event of dismissal for lack of prosecution, such proceeding shall be deemed “resolved” only if a legal proceeding covering the same subject matter is not refiled by the same party in an appropriate court prior to the expiration of the applicable statute of limitations.

ICA Panama will be authorized to withdraw all or any portion of the amount on deposit in the Litigation Reserve Account for the purpose of satisfying any monetary obligations of ICA Panama in respect of any Existing Legal Proceeding that has been “resolved”. To the extent that following such withdrawal, the remaining balance on deposit in the Litigation Reserve Account is less than the Required Litigation Reserve Balance, funds will be allocated to the Litigation Reserve Account on each Monthly Transfer Date to the extent described above. If on any Monthly Transfer Date, the balance then on deposit in the Litigation Reserve Account is in excess of the Required Litigation Reserve Balance, such excess will be withdrawn from the Litigation Reserve Account and deposited in the Excess Cash Flow Account.

As an alternative to maintaining on deposit all or a portion of the amount in the Litigation Reserve Account, Empresas ICA (or any affiliate thereof other than ICA Panama or the Issuer) may cause a Qualified Reserve LC Bank to open in favor of the Local Trustee a Reserve LC, in accordance with the procedures for establishing a Reserve LC for the Debt Service Reserve Account as described above.

Excess Cash Flow Account. The Issuer will deposit into the Excess Cash Flow Account all amounts available to be transferred thereto from the Collection Account after the required transfers to and from the other Transaction Accounts have been made. The Excess Cash Flow Account will be maintained by the Issuer in the United States with the commercial department of the Indenture Trustee. Funds will be distributable from the Excess Cash Flow Account in the circumstances described below under “—Principal Covenants of the Issuer.”

If an Event of Default has occurred and is continuing, the Issuer will continue to disburse funds from the Transaction Accounts as specified in the Trust Agreement except to the extent otherwise instructed by the Indenture Trustee acting at the direction of the Controlling Party. The Indenture Trustee may instruct the Issuer to make such disbursements at any time, but only (a) to pay amounts owing in respect of the notes and under the Indenture or (b) in accordance with the payment priorities set forth in Trust Agreement.

“*Controlling Party*” means, as of any date of determination, the Noteholders that, in the aggregate, hold more than 50% of the outstanding principal amount of the notes; *provided* that, with respect to certain waivers and amendments, the consent of each affected Noteholder will also be required. Notes held by the Issuer, ICA Panama or any of their respective affiliates are excluded from this definition.

<i>Share Retention and Undertakings.....</i>	The Indenture Trustee, the Issuer, the Concessionaire, ICATECH and Empresas ICA will enter into the Share Retention and Undertakings Agreement (the “ <i>Share Retention and Undertakings Agreement</i> ”) pursuant to which Empresas ICA will agree to maintain ownership of not less than 51% of the total voting shares of ICATECH, and ICATECH will agree to maintain not less than 100% of the total voting shares of ICA Panama.
<i>Guaranty Trust Agreement</i>	Pursuant to the Guaranty Trust Agreement, ICATECH will provide the Indenture Trustee, on behalf of the holders of the notes, the right to vote the shares of ICA Panama on matters constituting Critical Decisions (as defined under “Description of the Transaction Documents – Guaranty Trust Agreement”) and will convey the shares of ICA Panama in trust to the Indenture Trustee; provided, however, that all voting rights with respect to such shares will be exercisable only following an Event of Default under the Indenture.
<i>Principal Covenants of the Issuer.....</i>	<p>The Transaction Documents will include various affirmative and negative covenants of the Issuer, as appropriate, including those set forth below.</p> <p>For so long as the notes are outstanding, the Issuer will:</p> <p>(a) pay distributions to ICA Panama out of the Excess Cash Flow Account one Business Day after each Monthly Reporting Date (as defined below) upon the instructions of the Instructor only if (i) no Event of Default has occurred and is continuing or any event or condition has occurred that with the passage of time, the giving of notice or otherwise would become an Event of Default; (ii) for both the 24-month period ending immediately prior to, and the 24-month period immediately following (including the month during which the intended date of distribution falls), such Monthly Reporting Date (each such 24-month period to be calculated on an aggregate basis for such period), the Debt Service Coverage Ratio (as defined below) exceeded and is projected to exceed (based on the most recently available Independent Traffic Study) 1.30:1.00; <i>provided</i> that, if less than 24 months have elapsed since the Closing Date, (1) such calculation of the prior period Debt Service Coverage Ratio shall be based on the number of months elapsed since the Closing Date and (2) the distribution (if any) that may be made shall be limited to the Coverage Differential for the Relevant Reporting Period; (iii) for the most recent Reporting Period (as hereinafter defined) ending immediately prior to such Monthly Reporting Date, the Debt Service Coverage Ratio exceeded 1.25:1.00; and (iv) the reports provided at such time in accordance with clause (c) below evidence such compliance; <i>provided</i> that disbursements may be made to ICA Panama out of the Excess Cash Flow Account for the purpose of (x) emergency, unexpected repairs to the Corredor Sur that are in excess of amounts budgeted therefor (as set forth in the Major Maintenance Budget) in the Major Maintenance Reserve Account and (y) the payment of any final non-appealable court judgment or order against ICA Panama, in each case subject only to the preceding condition (i) upon submission of a certificate of an authorized officer of ICA Panama detailing the application of such disbursements and certifying that such disbursement will be so applied;</p>

- (b) maintain an accounting system and engage Deloitte, Inc. (Panamá) (“*Deloitte*”) as independent auditors (or another equivalent internationally recognized firm of independent public accountants) as its independent accountants;
- (c) starting July, 2005, by no later than the 10th Business Day following the last day of the preceding calendar month (a “*Monthly Reporting Date*”), provide to the Indenture Trustee and the Rating Agencies a report showing the Debt Service Coverage Ratio and the information used in calculating such ratio with respect to the preceding calendar month and for the immediately preceding 24-month period (such 24-month period to be calculated on an aggregate basis); *provided* that, if less than 24 months shall have elapsed since the Closing Date, such calculation of the prior period Debt Service Coverage Ratio shall be based on the number of months elapsed since the Closing Date;
- (d) as soon as available, but in any event within 2 months after the end of each of its fiscal quarters, provide to the Indenture Trustee and the Rating Agencies a copy of the unaudited interim financial statements for such quarter (prepared in accordance with International Financial Reporting Standards (“*IFRS*”) of the Corredor Sur Trust and a monthly account activity report showing a summary of the inflows and outflows with regard to the Transaction Accounts over the course of such fiscal quarter;
- (e) as soon as available, but in any event within 4 months after the end of each fiscal year, provide to the Indenture Trustee and the Rating Agencies a copy of the audited financial statements of the Corredor Sur Trust for such fiscal year (prepared in accordance with IFRS); an accompanying auditors’ report; a report showing a summary of the inflows and outflows with regard to the Transaction Accounts over the course of such fiscal year; and such other information regarding the Issuer as the Indenture Trustee may reasonably request;
- (f) permit, upon reasonable notice at all times when no Event of Default or unmatured Event of Default has occurred and is continuing, a representative of the Indenture Trustee to have access to the Issuer’s books of account and records;
- (g) reimburse, from trust assets, each Noteholder for Panamanian document stamp duties, registration and other governmental fees and taxes (other than income taxes payable in respect of the income on the notes) incurred and paid by such Noteholder in connection with the notes, if any;
- (h) promptly notify the Indenture Trustee in writing of any event or condition of which it has actual knowledge, including without limitation any litigation, dispute or administrative proceeding, that might reasonably be expected to materially and adversely affect its financial condition, the Concession or its ability to perform and observe its obligations under the Concession Contract or any Transaction Document to which it is a party;

- (i) obtain and maintain in force (or where appropriate, promptly renew) all material authorizations necessary for carrying out its business and operations generally;
- (j) promptly provide the Indenture Trustee with a copy of any communication received by the Issuer from or sent by the Issuer to the MOP in connection with any possible or threatened early termination of the Concession Contract; and
- (k) promptly notify the Indenture Trustee of any default or material non-compliance with any obligation of ICA Panama or the MOP under the Concession Contract of which it has actual knowledge.

For so long as the notes are outstanding, the Issuer will not:

- (a) engage in any business other than as provided in “Description of the Notes—Certain Covenants of the Issuer—Activities of the Issuer” herein;
- (b) incur or maintain any indebtedness other than the notes and indebtedness incurred in the refinancing in full the indebtedness represented by the notes;
- (c) guarantee the debt of others;
- (d) create or permit to exist any liens or charges on any trust assets other than: (1) the security interest to be granted under the Indenture, (2) liens incurred in the ordinary course of business and (3) any tax or other statutory liens, including any judicial liens or other liens arising by operation of law;
- (e) enter into any transaction other than on an arm’s-length basis;
- (f) other than pursuant to the Indenture, transfer or assign (or purport to transfer or assign) all or any part of the Assigned Rights;
- (g) other than under the Transaction Documents, enter into any agreement whereby its assets are shared with any other party; and
- (h) terminate, or materially waive or amend, any Transaction Documents to which it is a party without the consent of the Indenture Trustee acting on behalf of the Controlling Party.

The “*Debt Service Coverage Ratio*” means, on any date of determination, the ratio of (a) the sum of (i) Proceeds received *minus* (ii) deposits made to the Operating Account from the Collection Account during the Reporting Period preceding (or ending on) such date to (b) one third of the Quarterly Amortization Amount, interest, fees and other amounts scheduled to be paid in respect of the notes on the next Payment Date following such date of determination (*provided* that, for any calculation with respect to a Reporting Period of 24 months, this clause (b) shall mean the sum of the Quarterly Amortization Amount, interest, fees and such other amounts that would be calculated hereunder for each month in such 24-month period).

“*Coverage Differential*” means, as of any date of determination, the amount (if a positive number) of (1)(a) the Proceeds received less (b) deposits made to the Operating Account from the Collection Account during the Reporting Period preceding (or ending on) date minus (2) an amount equal to 1.30 times one-third of the Quarterly Amortization Amount, interest and fees to be paid in respect of the notes on the next Payment Date.

“*Proceeds*” means collections in respect of Tolls, receipts pursuant to the Ancillary Service Agreements and proceeds of any business interruption insurance.

“*Reporting Period*” means a calendar month, starting with the first complete calendar month following the Closing Date; *provided* that, for purposes of clauses (a)(ii) and (c) above, the Reporting Period shall mean each 24-month period calculated thereunder.

“*Transaction Documents*” means the notes, the Indenture, the Concession Contract, the Trust Agreement, the Assignment Agreement, the O&M Agreement, the Share Retention and Undertakings Agreement, the termination and release agreement relating to the repayment of the IFC Loan, the Termination and Release Agreement (the “*Termination and Release Agreement*”), each Control Agreement, the Guaranty Trust Agreement, the Assigned Rights Pledge Agreement, any Ancillary Service Agreement and the purchase agreement for the notes (as each are defined herein).

Principal Covenants of ICA Panama..

The Share Retention and Undertakings Agreement will include various affirmative and negative covenants of ICA Panama, including those set forth below.

For so long as the notes are outstanding, ICA Panama will:

- maintain books of accounts and other records adequate to present fairly and accurately, in all material respects, its financial condition and results of operations in conformity with IFRS;
- as soon as available, but in any event within 60 days after the end of each of its fiscal quarters, provide to the Indenture Trustee, the Issuer and the Rating Agencies a copy of the unaudited interim financial statements for such quarter (prepared in accordance with IFRS) of ICA Panama;
- as soon as available, but in any event within 120 days after the end of each of its fiscal years, provide to the Indenture Trustee and the Rating Agencies a copy of the audited financial statements for such fiscal year (prepared in accordance with IFRS); an accompanying auditors’ report; an officers’ “no default” certificate; and such other information regarding ICA Panama as the Indenture Trustee may reasonably request;
- comply with all of the material obligations assumed under the Concession Contract;

- authorize its auditors (whose fees and expenses shall be for the account of ICA Panama) to communicate directly with the Indenture Trustee at any time regarding its accounts and operations, and furnish to the Indenture Trustee a copy of such authorization;
- promptly notify the Indenture Trustee of any proposed change in the nature or scope of the Corredor Sur or ICA Panama's business or operations and of any event or condition, including without limitation any litigation, dispute or administrative proceeding, that might reasonably be expected to materially and adversely affect ICA Panama's financial condition, the Concession, or the ability of ICA Panama to comply with its obligations under the Share Retention and Undertakings Agreement, the Concession Contract or any other Transaction Document;
- design, construct, operate, maintain and monitor all of its sites, plants, equipment and facilities in accordance in all material respects with applicable environmental and safety laws (including international treaty obligations, if any) of Panama and any governmental authorities thereof;
- upon the Indenture Trustee's request, such request to be made with reasonable prior notice to ICA Panama unless an Event of Default or unmatured Event of Default is continuing or if special circumstances so require, permit representatives of the Indenture Trustee, during normal office hours (once per year at the expense of ICA Panama, except during an Event of Default, when all such visits will be at the expense of ICA Panama), to: (1) visit the Corredor Sur, or any other site where it or any affiliate conducts activities relating to the Corredor Sur pursuant to the Concession Contract, and any of the premises where its business or the business of any affiliate relating to such sites is conducted, (2) inspect all facilities, plants and equipment comprising the Corredor Sur and any other site where it or an affiliate conducts activities with respect to the Corredor Sur pursuant to the Concession Contract and (3) have access to the books of account and records of it or any such affiliate, including all environmental and social information and maintenance records relevant to the Corredor Sur or any other site where any such entity conducts activities pursuant to the Concession Contract;
- if Deloitte ceases to be its auditors for any reason, appoint as soon as practicable and maintain as its auditors an equivalent internationally recognized firm of independent public accountants, and, within 30 days after each such appointment, deliver to such auditors (with a copy to the Indenture Trustee) an authorization to provide information to the Indenture Trustee in the form to be prescribed by the Share Retention and Undertakings Agreement;
- obtain and maintain in force (or where appropriate, promptly renew) all material authorizations necessary for operating and maintaining the Corredor Sur and its business and operations generally, including those authorizations required under the Concession Contract;

- promptly provide the Indenture Trustee with a copy of any communication received from or sent to the MOP in connection with any possible or threatened early termination of the Concession Contract;
- promptly notify the Indenture Trustee in writing of any default or material non-compliance in respect of any of its obligations or those of the MOP under the Concession Contract;
- maintain, with financially sound and internationally recognized insurance companies, insurance for the Corredor Sur including coverages and risks substantially similar to those included in the insurance maintained by ICA Panama on the Closing Date and cause all such insurance that comprises part of the Assigned Rights to name the Indenture Trustee as an additional insured and loss payee of any amounts payable under such insurance; *provided* that payment in respect of such insurance policies shall be made by the Issuer in accordance with the terms of the Trust Agreement; and maintain, with financially sound and internationally recognized insurance companies, insurance with respect to its other properties and business against loss or damage of the kind customarily insured against by persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other persons;
- ensure that no insurance policy can be terminated by the relevant insurer for any reason (including failure to pay the premium) unless the Indenture Trustee receives written notice at least 45 days prior to the effective date of termination;
- within 30 days after the effective date of any new, renewed or modified insurance policy, and within 90 days after the end of each of its fiscal years, submit to the Issuer and the Indenture Trustee a certificate from the Corredor Sur's insurers or insurance brokers or agents, indicating the properties insured, amounts and risks covered, names of the loss payees, beneficiaries, assignees and additional insured, the names of the insurers, the period of validity and effectiveness of each policy, and any other special features of the insurance policies in effect on the date of the relevant certificate;
- by no later than June 30, 2007 and thereafter, by no later than the second anniversary date of the date of the immediately preceding Independent Engineering Report, cause the Independent Engineer (as defined below) to review the Corredor Sur and assess its actual and forecasted physical condition and its required level of major maintenance (the "*Independent Engineering Report*"). The "*Independent Engineer*" shall mean Omniconsult, S.A.; *provided* that, if Omniconsult, S.A. ceases to act as the Independent Engineer for any reason, ICA Panama will appoint, as soon as practicable, another internationally recognized and active, highly qualified and experienced independent engineering firm, and thereafter such firm or any successor such firm shall be the "*Independent Engineer*." The Independent Engineering Report shall include (x) a forecast of required repair and maintenance

expenses (and other amounts required to fund the Major Maintenance Reserve Account) through the life of the Concession and (y) an evaluation of the performance of the Operator under the O&M Agreement. Copies of the Independent Engineering Report shall be provided by the Independent Engineer to each of the Issuer, the Indenture Trustee, ICA Panama and each Rating Agency. If the Independent Engineering Report determines that repair and maintenance work on the Corredor Sur, in addition to such work as shall have theretofore been scheduled, needs to be completed, the Required Major Maintenance Reserve Balance will be increased to take into account the projected expense associated with such work;

- by no later than June 30, 2008 and thereafter, by no later than the third anniversary date of the date of the immediately preceding Independent Traffic Report (as defined below), cause the Independent Traffic Consultant (as defined below) to review the Corredor Sur and assess its level of traffic and its revenue levels. The “*Independent Traffic Consultant*” shall mean Halcrow; *provided that*, if Halcrow ceases to act as the Independent Traffic Consultant for any reason, ICA Panama will appoint, as soon as practicable, another internationally recognized and active, highly qualified and experienced independent traffic consulting firm, and thereafter such firm or any successor such firm shall be the Independent Traffic Consultant. The “*Independent Traffic Report*” shall include a forecast of (y) traffic levels on the Corredor Sur through the life of the Concession and (z) revenues of the Corredor Sur through the life of the Concession. Copies of the Independent Traffic Report shall be provided by the Independent Traffic Consultant to each of the Issuer, the Indenture Trustee, ICA Panama and each Rating Agency. The Independent Traffic Report shall also provide, from and after the date of the first Independent Traffic Report, the forecast of revenues for the calculation of Debt Service Coverage Ratio for any calculation thereof that includes a forecast;
- starting on each Monthly Reporting Date, provide to the Indenture Trustee and the Rating Agencies a report showing (i) the Debt Service Coverage Ratio and the information used in calculating such ratio projected to exist for the following 24-month period on an aggregate basis and (ii) starting with the first Monthly Reporting Date of the first calendar quarter after the Closing Date and on the first Monthly Reporting Date of each calendar quarter thereafter, provide to the Indenture Trustee and the Rating Agencies a report showing revenues, traffic volume, operating and maintenance expenditures and certain other operational information, such information to be set forth in the form of a quarterly report attached as an exhibit to the Indenture; and
- annually, no later than December 1 of each year, provide the Issuer, the Indenture Trustee and each Rating Agency the Expense Budget and the Major Maintenance Budget for the following year.

For so long as the notes are outstanding, ICA Panama will not:

- enter into any transaction except in the ordinary course of business on the basis of arm's-length arrangements;
- engage in any business other than the operation of the Corredor Sur pursuant to the Concession Contract; *provided* that it may improve and sell any real property or marine fill-in rights obtained pursuant to the Concession as part of the Excluded Rights (such improvements may include build-out of basic utility, drainage and access infrastructure, but shall not include development or construction activities);
- either directly or through a subsidiary or other affiliate engage in any business other than the activities specified in, and relating to its rights under, the Concession Contract;
- change its Articles of Incorporation (*Pacto Social*) or By-Laws (*Estatutos*) if such change would have a material and adverse effect on the Corredor Sur, on ICA Panama or on the rights of the Issuer, the Issuer or the Indenture Trustee under the Transaction Documents;
- change its fiscal year;
- change the nature of its present and contemplated business or operations or change the nature or scope of the Concession Contract; *provided* that the sale by it of land relating to the Concession Contract and comprising part of the Excluded Rights shall not be deemed to effect a change in the nature or scope of its business or operations;
- merge, consolidate, reorganize, liquidate or wind up its affairs;
- (1) except with respect to the Excluded Rights or the Trust Agreement, assign, in whole or in part (A) its rights and/or obligations under the Concession Contract or (B) any authorizations associated with the Corredor Sur or (2) voluntarily withdraw from, unilaterally terminate or mutually agree with the MOP to the termination of the Concession Contract;
- incur or maintain any indebtedness (including guarantees) other than indebtedness for products and services provided in the ordinary course of the operation and maintenance of the Corredor Sur consistent with past practices and subordinated debt provided by Empresas ICA or its affiliates on terms specified in the Share Retention and Undertakings Agreement (including a waiver of remedies); and
- create or permit to exist any liens or charges on any of its property other than: (1) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves

with respect thereto are maintained on its books, (2) liens in existence on the date of the issuance of the notes, (3) liens incurred without recourse to ICA Panama or its assets or revenues on any of the Excluded Rights and (4) any tax or other statutory liens, including any judicial liens or other liens arising by operation of law.

Events of Default.....

The Indenture will provide for customary default provisions (“*Events of Default*”), with cure periods and exceptions for events that would not have a material adverse effect (in each case, where appropriate), including: (a) payment default; (b) performance default under the Indenture; (c) default under other Transaction Documents, including express provision for default if any Transaction Document is terminated, canceled or materially amended; (d) inaccurate or false representations and warranties; (e) bankruptcy or insolvency; (f) there is entered against ICA Panama (1) a final, non-appealable judgment or order for the payment of money in an aggregate amount exceeding US\$10,000,000 (or the equivalent in another currency) (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) or (2) one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Concession or the operations or financial condition of ICA Panama and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; (g) nationalization, expropriation or confiscation; (h) suspension or cancellation or termination of the Concession or notice from the MOP, or any other applicable Panama governmental authority, of any event that could reasonably be expected to lead thereto; (i) failure to promptly notify the Indenture Trustee in the event that ICA Panama or the Issuer receives a notification from the MOP of material noncompliance with the terms of the Concession Contract, or other action that, under the terms of the Concession Contract, would if left unresolved result in the termination of the Concession; (j) failure of the Debt Service Reserve Account, on each of three consecutive Monthly Transfer Dates, to contain an amount equal to the amount of principal and interest due on the notes for the next four consecutive Payment Dates; or (k) ICA Panama shall fail to replace the Operator following a default under the O&M Agreement that is not cured within the time period specified therein.

Under the Indenture, upon the occurrence of an Event of Default, the Controlling Party, by notice then given in writing to the Issuer and the Indenture Trustee, may (x) require the Issuer immediately to pay an amount equal to the Redemption Price for the notes to the applicable Beneficiaries in accordance with the Indenture and (y) exercise remedies against the collateral (including assuming voting rights in respect of the shares of capital stock of ICA Panama, transferring such shares and/or transferring the Assigned Rights). See “Risk Factors—The rights of holders under the Indenture with respect to actions that may be taken by the Indenture Trustee if an Event of Default occurs are limited.” In addition, upon an Event of Default, all voting, economic and beneficial rights in the shares of ICA Panama will vest automatically in the Indenture Trustee. However, all assets identified by the Indenture Trustee as deriving from Excluded Rights will be

delivered to ICATECH. See “Description of the Transaction Documents—Guaranty Trust Agreement.”

In addition, upon the occurrence of an Event of Default, the Indenture Trustee (acting at the direction of the Controlling Party) may designate a successor Instructor who may thereupon take over responsibility for administering and managing the Corredor Sur.

Any Event of Default described in clause (e) above will be deemed to have resulted in an immediate request from the Controlling Party to the Issuer for the payment of the Redemption Price for the notes. Upon a request (or deemed request) to the Issuer for such payment, the Issuer will promptly (but in any event no more than five Business Days thereafter) pay to the Indenture Trustee an amount equal to such Redemption Price.

The “*Redemption Price*” for the notes means, as of any date of determination, an amount in U.S. dollars equal to the sum of (a) the balance of the notes (or, in the case of a partial redemption, the portion thereof to be redeemed), (b) all accrued and unpaid interest (if any) on such redeemed principal amount to but excluding the Redemption Date, (c) all unpaid Additional Amounts with respect to the notes, (d) the Make-Whole Premium (as defined below) for the notes (or, in the case of a partial redemption, the portion thereof to be redeemed) to but excluding the Redemption Date and (e) all other amounts then due and payable under the Transaction Documents in connection with the notes.

The make-whole premium (the “*Make-Whole Premium*”) as of any date of determination with respect to the notes will be the difference (not to be less than zero) between (a) the present value (compounded on a monthly basis) to such date of the scheduled future principal and interest cash flows from the notes (or portion thereof) being redeemed discounted at a *per annum* rate equal to the then-current bid side yield (as most recently published in the New York edition of *The Wall Street Journal*) on the U.S. Treasury Note having a maturity date closest to the remaining weighted average life on the notes calculated at the time of the prepayment, *plus 0.50% per annum* and (b) the aggregate principal amount of the notes (or portion thereof) to be redeemed (or so prepaid). Any redemption of less than the full balance of the notes will be applied to each remaining Quarterly Amortization Amount in inverse order of maturity, and the Make-Whole Premium would be determined after taking this application into consideration.

Optional Redemption.....

ICA Panama may, at any time (for any reason) after the third anniversary of the date of issuance of the notes, upon not less than 30 nor more than 60 days’ prior written notice to the Issuer and the Indenture Trustee, require the Issuer to redeem, in whole or in part, the notes on any Payment Date. In such instance, ICA Panama will be obligated to pay to the Indenture Trustee (on behalf of the Issuer) the Redemption Price.

Redemption for Tax Reasons.....

ICA Panama may, upon not less than 30 nor more than 60 days’ prior written notice to the Issuer and the Indenture Trustee, require the Issuer to redeem the notes in whole on any Payment Date if:

- ICA Panama certifies to the Issuer and the Indenture Trustee immediately prior to the giving of such notice that ICA Panama has or will become obligated to pay Additional Amounts on the next succeeding Payment Date which are in excess of 5.0% of the total interest due on that date as a result of any change in, or amendment to, the laws or regulations of Panama, or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment occurred after the date of issuance of the notes; and
- such obligation cannot be avoided by ICA Panama taking reasonable measures available to ICA Panama;

provided, however, that the notice of redemption shall not be given earlier than 60 days before the earliest Payment Date on which ICA Panama would be obligated to pay the interest giving rise to such Additional Amounts (as defined below).

In such instance, ICA Panama will be obligated to pay to the Indenture Trustee (on behalf of the Issuer) the Redemption Price (*provided that*, for such purpose, the Redemption Price will not include the Make-Whole Premium).

Extraordinary Mandatory Redemption ..

Notwithstanding anything to the contrary in the Indenture, if the closing under the purchase agreement among the Issuer, ICA Panama and Merrill Lynch (See “Plan of Distribution”) does not occur, but notes are issued against payment by local brokers in Panama, the Issuer will promptly cause all of such notes to be redeemed by payment to the Indenture Trustee of an amount in dollars equal to the aggregate principal amount of such notes (and no interest, Additional Amounts, Make-Whole Premium or other amounts shall accrue or be payable in respect of such notes). If the Issuer is required to effect an extraordinary mandatory redemption of notes, the Issuer will notify the Indenture Trustee in writing of the redemption date and the principal amount of notes to be redeemed. Promptly after the Closing Date, the Indenture Trustee will notify the Noteholders of the date of redemption of notes in accordance with the procedures of the relevant depository applicable to redemption. The date of such redemption will occur no later than 15 days from the date of the notice of redemption.

United States Tax Treatment

Subject to certain assumptions and qualifications, for United States federal income tax purposes (a) the notes will be treated as debt and (b) the permitted activities of the Issuer will not result in it being treated as engaged in the conduct of a trade or business in the United States.

Panamanian Tax Treatment

Galindo, Arias & López, special Panamanian counsel to ICA Panama, is of the opinion that, subject to certain assumptions and qualifications, no stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable to Panama or any governmental authority thereof (a) in connection with the execution and/or delivery of the Transaction Documents or the performance or enforcement of any provision thereof, (b) by or on behalf of the Initial Purchaser in connection with the offering, sale and/or delivery of the notes (or beneficial interests therein) to such Initial Purchaser or by

such Initial Purchaser to the initial purchasers thereof or (c) with respect to any principal, interest, premium, fees or other amounts paid by the Issuer (including any Interest on the notes) under the Transaction Documents. Interest payments on the notes are currently exempted from Panamanian income tax based upon certain tax incentives provided for in Panama's securities laws. However, there can be no assurance that these tax benefits will not be changed or revoked by the Panamanian government in the future.

***Additional Amounts*.....**

Subject to certain limited exceptions, all payments in respect of the notes and all other payments under the Transaction Documents, whether in respect of principal, interest, premiums, fees or otherwise, will be made without deduction or withholding for any current or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority in Panama (collectively, "*Taxes*") unless such Taxes are required by any such Panamanian taxing authority to be deducted or withheld. If any such Taxes are required by applicable law to be deducted or withheld, then ICA Panama, subject to certain customary exceptions, will pay to the Indenture Trustee (for the benefit of the applicable recipient(s) of such payment) such additional amounts ("*Additional Amounts*") as may be necessary so that the recipient(s) thereof will receive the full amount otherwise payable in respect of such payments had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld. The Issuer will not be responsible for the payment of any Additional Amounts. ICA Panama will indemnify the Issuer for any Panama tax liability incurred by the Issuer.

***ERISA Considerations***

By its purchase and holding of a Note (or a beneficial interest therein), each Noteholder will be deemed to have represented and warranted either that (a) it is not, and is not acting on behalf of, an employee benefit plan as described in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*") subject to Title I of ERISA, or a "plan" subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or a governmental plan, church or non-U.S. plan that is subject to any federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or an entity whose assets are treated as assets of any such plan, or (b) its purchase, holding and disposition of a Note (or a beneficial interest therein) will not constitute or otherwise result in a non-exempt prohibited transaction or violation under such provisions of ERISA, Section 4975 of the Code or such other law.

***Required Ratings*.....**

It is a condition to the issuance of the notes that they be rated at least "BBB-" by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("*S&P*"), "Baa2" by Moody's Investors Service, Inc. and "BBB" by Fitch, Inc. ("*Fitch*"). The ratings address the likelihood of timely payment of interest on each Payment Date and the timely payment of the Quarterly Amortization Amounts on each Payment Date after the Interest-Only Period.

***Registration in Panama***

The notes have been authorized for public offering in Panama by the *Comisión Nacional de Valores de Panamá* (National Securities Commission of Panama).

<i>Transfer Restrictions under U.S. law</i>	The notes will not be registered under the Securities Act or the securities laws of any jurisdiction other than Panama and for purposes of U.S. law will be (a) offered in the United States to qualified institutional buyers, as such term is defined under Rule 144A (“ <i>QIBs</i> ”) in reliance upon Rule 144A under the Securities Act (“ <i>Rule 144A</i> ”) and (b) offered outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act (“ <i>Regulation S</i> ”). For purposes of U.S. law, the notes (and beneficial interests therein) will be subject to certain restrictions on transfer as specified in the Transaction Documents.
<i>Listing</i>	The listing and negotiation of the notes has been authorized by the Panama Stock Exchange. This authorization does not imply any recommendation or opinion regarding the notes or the Issuer.
<i>Local Broker</i>	BG Investment Co., Inc., as Local Broker, will hold the notes on behalf of the Issuer prior to the offering of the notes on the Panama Stock Exchange. The Local Broker is a company incorporated under the laws of the Republic of Panama as a <i>sociedad anónima</i> (corporation).
<i>Form and Delivery</i>	Notes offered and sold in the United States to QIBs will be represented by beneficial interests in a global Rule 144A Note. Notes offered and sold outside the United States to certain non-U.S. persons pursuant to Regulation S will be represented by beneficial interests in a global Regulation S Note.
<i>Governing Law</i>	The notes, the Indenture, the Share Retention and Undertakings Agreement, the Assigned Rights Pledge Agreement, the Termination and Release Agreement and the Control Agreements will be governed by and construed in accordance with the internal law of the State of New York; provided that the Assigned Rights Pledge Agreement and the Control Agreement with a financial institution located in Panama, will be governed by Panamanian law with regards to its execution, delivery, granting of a security interest, perfection, priority and enforcement. The Concession Contract and the O&M Agreement are, and the Trust Agreement, the Assignment Agreement and the Guaranty Trust Agreement will be, governed by Panamanian law. All parties to the foregoing New York law-governed agreements will submit to the jurisdiction of specified courts in the City and State of New York.

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF THE CONCESSIONAIRE

The following table presents summary financial information for ICA Panama at the dates and for the periods indicated and does not present summary financial information for the Issuer. The summary financial data as of and for each of the years ended December 31, 2002, 2003 and 2004 set forth below has been derived from, should be read in conjunction with and is qualified in its entirety by reference to, the audited financial statements of ICA Panama and related notes thereto audited by Deloitte, which are included elsewhere in this offering memorandum and are referred to as the “audited financial statements.” The summary financial data as of and for each of the years ended December 31, 2000 and 2001 set forth below have been derived from the audited financial statements for the respective periods, which are not included in this offering memorandum. The summary financial data as of and for the first three months of 2004 and 2005 set forth below have been derived from the unaudited interim financial statements for the respective periods, which are included elsewhere in this offering memorandum and are referred to as the “unaudited interim financial statements.” The audited financial statements and the unaudited interim financial statements are referred to herein collectively as the “financial statements.”

The financial statements and notes thereto included herein are prepared and presented in accordance with IFRS, which differ in certain respects from U.S. GAAP. See Annex A for a summary of the differences between IFRS and U.S. GAAP that are relevant to ICA Panama. The following summary financial information for ICA Panama should also be read in conjunction with the information under the captions “Presentation of Financial and Operating Information,” “Selected Financial Information of the Concessionaire” and “Management’s Discussion and Analysis of the Concessionaire’s Financial Condition and Results of Operations.”

	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
				(in US\$)			
Summary of Income							
Statement Data							
Total revenues	5,905,109	4,891,902	28,760,234	23,699,786	27,120,085	34,414,099	30,415,736
Toll revenues	4,321,038	3,856,820	17,074,696	15,315,932	14,062,589	13,118,416	12,315,782
Land sales revenues ...	1,082,521	939,821	3,572,656	7,945,558	12,739,669	20,927,987	17,868,422
Other income	--	--	228,246	213,931	--	9,924	16,093
Ancillary services							
revenues	81,484	68,305	283,614	128,307	247,043	222,800	69,750
Interest income	420,066	26,956	7,601,022	96,058	70,784	134,972	145,689
Amortization of							
investment							
in concession ⁽¹⁾	2,321,947	1,890,821	8,142,568	10,708,084	6,034,438	12,088,154	2,520,000
Cost of land sales	878,124	556,905	2,263,386	6,057,727	4,005,663	(2,199,448)	17,876,984
Operation and							
maintenance costs	919,972	954,703	4,456,922	2,118,653	3,910,731	3,931,645	3,426,233
Operating income	1,196,362	841,745	11,362,817	3,658,260	11,366,069	19,027,073	4,557,547
Interest expense	(2,174,632)	(808,794)	(3,256,619)	(4,352,671)	(6,168,212)	(22,379,274)	(13,520,423)
(Loss) income before tax ..	(978,270)	32,951	8,106,198	(694,411)	5,197,857	(3,352,201)	(8,962,876)
Income tax expense	9,900	--	304,030	--	--	--	--
Net (loss) income ⁽²⁾	(988,170)	32,951	7,802,168	(694,411)	5,197,857	(3,352,201)	(8,962,876)

- (1) The net cost of the investment in the Concession is amortized and reflected on the Concessionaire’s income statement by using the units-in-use method based upon estimated vehicular traffic for the entire term of the Concession. To determine the amount of the amortization per vehicle, the net cost of the investment in the Concession is divided by the estimated volume of vehicular traffic throughout the term of the Concession. The Concessionaire periodically reviews the rate of amortization of its investment in the Concession by reference to internal analyses of projected vehicular traffic on the Corredor Sur. See “Management’s Discussion and Analysis of the Concessionaire’s Financial Condition and Results of Operations.”
- (2) The net loss of US\$988,170 during the first three months of 2005 was primarily due to a charge of US\$1,323,587 reflecting the fair value of a financial instrument entered into between ICA Panama and Merrill Lynch in order to lock the interest rate in connection with the proposed offering of the notes. See Note 10 to the unaudited interim financial statements. Without taking into account the effect of this non-recurring transaction, ICA Panama would have recorded interest expense of US\$851,045 and net income of US\$335,417 for the first three months of 2005.

	As of March 31,		As of December 31,				
	2005	2004	2004	2003	2002	2001	2000
				(in US\$)			
Balance Sheet Data:							
Investment in							
Concession	185,511,283	204,437,529	187,833,230	206,328,350	218,834,689	232,720,459	188,205,667
Long-term assets	194,581,601	212,577,214	195,959,489	214,490,160	218,983,793	233,159,785	188,659,138
Total assets	232,962,442	233,144,049	232,762,755	232,828,374	247,618,024	276,469,222	307,303,510
Total liabilities	73,158,666	81,442,467	71,970,809	82,908,280	101,713,928	213,407,369	251,885,750
Shareholder's equity	159,803,776	151,701,582	160,791,946	149,920,094	145,904,096	63,061,853	55,417,760
Net Revenues from Toll Road Activities							
The following table sets forth the Concessionaire's net revenues from toll road activities for the periods indicated:							
	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
				(in US\$)			
Toll revenues	4,321,038	3,856,820	17,074,696	15,315,932	14,062,589	13,118,416	12,315,782
Ancillary services revenues	81,484	68,305	283,614	128,307	247,043	222,800	69,750
Operation and maintenance costs	919,972	954,703	4,456,922	2,118,653	3,910,731	3,931,645	3,426,233
General and administrative expenses	588,704	647,728	2,534,541	1,157,062	1,803,184	1,566,675	2,034,972
Income tax expense	9,900	--	304,030	--	--	--	--
Net revenues from toll road activities	2,883,946	2,322,694	10,062,817	12,168,524	8,595,717	7,842,896	6,924,327
Summary Historical Operating Data for the Corredor Sur							
The following table presents certain summary historical operating data for the Corredor Sur. The data presented below was compiled by the Concessionaire.							
	2004	2003	2002	2001	2000		
Annual traffic (number of vehicles)	17,112,327	15,749,945	16,211,614	16,819,868	15,517,615		
Average daily traffic (number of vehicles)	46,754	43,151	44,415	46,082	42,398		
Toll revenue (US\$)	17,074,696	15,315,932	14,062,589	13,118,416	12,315,782		
Toll average per vehicle (US\$)	1.0	1.0	0.9	0.8	0.8		

RISK FACTORS

Prospective purchasers should consider carefully all of the information set forth herein and, in particular, the following risk factors in connection with an investment in the notes. In general, investing in the securities of issuers in emerging markets such as Panama involves a higher degree of risk than investing in the securities of issuers in the United States and certain other jurisdictions.

Certain Risks Relating to the Concessionaire and the Toll Road

Toll revenues and traffic volumes are dependent on factors beyond the Concessionaire's control.

The major source of revenue on the Corredor Sur are Tolls, and revenue from Tolls collected depends on the number of toll-paying vehicles that travel on the Corredor Sur. Several factors determine the volume of toll-paying traffic which will travel on the Corredor Sur in the future, many of which are beyond the control of the Concessionaire. Some of these factors include demographic changes, government macroeconomic policies, prevailing economic conditions in Panama, toll rates (including the amount and frequency of toll increases), taxation, inflation, interest rates, fuel prices, infrastructure development (including the quality, proximity and use of alternative roads), social stability and other factors prevalent in the Panama City metropolitan area and Panama, as a whole.

In addition, according to the Independent Traffic Study, traffic is a function of the growth in the economy, population, employment and vehicle ownership, making it demand-led, but in Panama chronic congestion constrains the prospects for further significant traffic growth. Accordingly, future traffic growth on the Corredor Sur will depend on both continued growth in these demand-side factors and the ability of the rest of the network to deliver and absorb traffic to or from the toll road.

For the above reasons, there can be no assurance that the number of vehicles traveling on the Corredor Sur will remain stable or increase as projected. Any reduction in the level of traffic on the Corredor Sur may have an adverse effect on the Concessionaire's results of operations and therefore may impair the Issuer's ability to meet its payment obligations under the notes.

Actual traffic volume and patterns may differ from those presented in the Independent Traffic Study.

The Independent Traffic Study was made using various analytical methodologies and assumptions. The information and forecasts contained therein are inherently subject to unpredictable factors, including, among others, the level of background traffic growth, the development (or lack of) transport infrastructure, socio-economic issues, the increase or stability of toll rates and drivers' response to toll increases. Even if such assumptions and methodologies are accurate, the actual traffic volumes and patterns may differ materially from those expressed or implied therein. Accordingly, investors are urged not to place undue reliance on the Independent Traffic Study.

The Concessionaire faces restrictions on its ability to make toll rate increases.

Throughout the operation of the Concession, the Concessionaire is authorized to make annual toll rate increases to reflect Panamanian inflation, or more frequently when the inflation level in Panama increases by 5% or more compared to the most recent toll rate increase, provided that prior to the implementation of such a toll increase, the Concessionaire must submit its calculations reflecting inflationary increases to the MOP for verification. In addition, the Concessionaire may increase Tolls whenever it deems necessary, so long as it receives the approval of the MOP and the Council of Ministers, although the Concessionaire is entitled to annual 25% toll rate increases in real terms from June 2002 through May 2008 without seeking such approval.

With respect to toll rate increases for which verification or approval is required, there can be no assurance that the MOP or the Council of Ministers will provide such verification or approval, as the case may be. Failure to implement any such increases on a timely basis, or adjustments to the method of calculation of such increases, may impair the Concessionaire's ability to set toll rates at levels it believes to be appropriate, which in turn may adversely affect the Issuer's ability to meet its payment obligations under the notes.

Toll rate increases in the future may not be effective to improve the Concessionaire's revenues.

There can be no assurance that any toll increases implemented in the future will not have an adverse effect on the number of vehicles that travel on the Corredor Sur, and therefore fail to be effective as a tool to improve the Concessionaire's revenues. On June 29, 2002, the Concessionaire increased toll rates by 26.3% (including a 1.3% adjustment for inflation). Following this toll increase, traffic volume on the Corredor Sur decreased by 12.5% over a 12-month period. Although the Tolls collected per vehicle increased, the Concessionaire's increase in toll revenues was less than the increase in toll rates. In addition, according to the Independent Traffic Study, the Concessionaire should be cautious about the number of toll increases implemented in the future. According to the Independent Traffic Study, toll rates on the Corredor Sur are relatively high compared with other toll roads across North, Central and South America and Europe. Accordingly, there can be no assurance that future toll increases will have the desired effect on the Concessionaire's revenues and therefore the ability of the Issuer to meet its payment obligations under the notes.

Traffic growth on the Corredor Sur may be constrained by the capacity of the Corredor Sur at certain areas.

Traffic growth of the Corredor Sur in the future may be constrained due to physical limitations at certain toll plazas and certain heavily-used sections of the Corredor Sur, particularly during rush hours. In particular, the Independent Traffic Study concluded that future growth may be constrained during the morning rush hour by the capacity of the Atlapa – Costa del Este marine viaduct and associated toll plazas. The Concessionaire intends to address these potential capacity constraints by constructing additional toll booths and possibly implementing an electronic toll collection system. However, there can be no assurance that this strategy will be effective or that the costs of such strategy may not be greater than anticipated, thereby impairing the Issuer's ability to meet its payment obligations under the notes.

Competition may negatively impact traffic volume and toll revenues.

Toll-free secondary roads run parallel to the Corredor Sur. The main east-west road parallel to the Corredor Sur is Avenida Domingo Díaz, which splits into Avenida Domingo Díaz and Avenida Jose Augustín Arango. Both of these four-lane roads are congested at peak times. To deal with congestion, these roads operate one way westbound during morning peak hours. To prevent traffic diversion to the toll-free roads, the Concessionaire relies on the attraction of travel at higher speeds with less congestion. Another toll road, the Corredor Norte, will eventually provide a parallel route to Corredor Sur along the northern fringes of the metropolitan area. Upon its completion, the Corredor Norte could attract a portion of the Corredor Sur's traffic. There can be no assurance that the Concessionaire will be able to successfully compete with non-toll roads or the Corredor Norte in the future and that the number of vehicles that travel on the Corredor Sur will remain stable, thereby impairing the Issuer's ability to meet its payment obligations under the notes.

The Concession Contract can expire early or be terminated by the Panamanian government in certain circumstances.

The Concessionaire's principal asset is its contractual right to operate the Corredor Sur pursuant to the Concession Contract, and the Issuer's principal asset is the right to receive toll revenues generated by operation of the Corredor Sur. The Concession Contract may expire early by reason of the Concessionaire achieving a specified return on its investment. See "—The Concession Contract will expire early if the *monto recuperable* is received". In addition, the MOP may unilaterally terminate the Concession prior to expiration for the reasons set forth in the Concession Contract, including default by the Concessionaire, bankruptcy of the Concessionaire or administrative redemption under the Concession Contract. See "The Concession—Expiration and Early Termination."

The grounds for termination for default are specified in the Concession Contract, which are described further under "The Concession." In the case of the termination of the Concession Contract as a result of a default by the Concessionaire and the expiration of any applicable notice and cure periods, the Concessionaire is not entitled to compensation from the Panamanian government. Following termination of the Concession Contract under these circumstances, the Issuer would no longer receive toll revenues and would be unable to meet its payment obligations under the notes. Panamanian law provides for certain protections for third parties who have acquired rights under a

concession in the event that the relevant concessionaire defaults, as described under “The Concession – Expiration and Early Termination – Early Termination – Third Party Rights.”

In addition, under the Concession Contract, the Panamanian government may unilaterally elect an administrative redemption, or early termination, of the Concession Contract for reasons of public interest.

In the case of an administrative redemption, the Concession Contract would terminate, but compensation is required to be paid by the Panamanian government. Compensation for this event is required to be in an amount equal to the net present value as of the date of the administrative redemption of the amount invested by the Concessionaire in the Concession pending amortization, plus accrued interest and the projected internal rate of return from toll revenues through the end of the Concession as if no administrative redemption had occurred. Pursuant to the Assignment Agreement, the Concessionaire will assign to the Issuer the right to receive any amounts payable by the Panamanian government to it in the event of such an administrative redemption. Management of the Concessionaire believes that the amount due to the Issuer upon an administrative redemption would be sufficient to satisfy the claims of the holders of the notes. However, there can be no assurance that in the event of a termination of the Concession Contract based on administrative redemption the Panamanian government would agree with the calculations of the Concessionaire regarding the amount owed, and consequently, no assurance that the amounts paid to the Issuer from the Panamanian government would be sufficient to satisfy the claims of the holders of the notes.

The Concession Contract will expire early if the monto recuperable is received.

The Concession Contract will automatically expire prior to the stated expiration date if prior to that date the Concessionaire has received the *monto recuperable*. The *monto recuperable*, as set forth in the Concession Contract, is US\$306,435,181, comprised of US\$189,847,681 recoverable through net toll road collections and US\$116,587,500 recoverable through land and marine reclamation area sales. The Concession Contract provides that the Concessionaire’s cumulative net revenues from toll collections and land and marine reclamation area sales are to be discounted to their present value as of October 1, 1995 at a maximum annual discount rate of 12% for purposes of determining whether the *monto recuperable* has been met. The Concessionaire does not believe that the *monto recuperable* will be reached prior to the stated expiration date of the Concession, and pursuant to the Transaction Documents, the Issuer will be required to set aside cash reserves to pay its obligations on the notes if future projections show the *monto recuperable* could be received early. However, there can be no assurance that the Concession will not be terminated on the basis of receipt of the *monto recuperable*, or that the amount of cash reserves set aside in respect of the *monto recuperable* at any time will be sufficient to satisfy the claims of holders of the notes at the time of early termination of the Concession.

Certain agreed benefits under the Concession Contract may not be available.

The Concession Contract incorporates the concept of “contractual equilibrium”—an agreed real rate of return—whereby the Concessionaire is compensated for losses arising from “extraordinary or unforeseen circumstances.” Under the Concession Contract if certain circumstances occur, the Concessionaire can be compensated (and contractual equilibrium restored) by the Panamanian government providing the Concessionaire with the right to increase toll rates, or if market conditions do not permit toll rates to be increased, with additional marine reclamation rights. However, a recent decision of the Supreme Court of Panama has ruled that any private entity or concessionaire may not receive additional marine reclamation rights. There can be no assurance as to the amount or form of compensation that the Concessionaire would receive for a claim in respect of contractual equilibrium. Therefore, there can be no assurance that contractual equilibrium would be restored in the event of an extraordinary or unforeseen circumstance, and accordingly, that the ability of the Issuer to meet its obligations under the notes would be preserved in such an event.

The Concessionaire may need to seek additional capital in the future.

Ongoing repair and maintenance of the Corredor Sur will require substantial capital. Although no assurances can be given, the Concessionaire believes that its operating cash flows and the proceeds of the offering will be sufficient to fund the Concessionaire’s current operations, maintenance and investment commitments. If the Concessionaire’s plans or assumptions change, if its assumptions prove to be inaccurate, or if it experiences

unanticipated costs or competitive pressures, the Concessionaire may be required to seek additional capital. The Transaction Documents restrict the terms upon which the Concessionaire may incur additional debt. There can be no assurance that the Concessionaire will be able to raise any necessary additional capital on satisfactory terms, if at all. If the Concessionaire decides to raise additional funds through the incurrence of debt, it may become subject to additional or more restrictive financial covenants and its interest obligations will increase. If the Concessionaire is unable to obtain such additional capital or to obtain it on acceptable terms, it may be unable to meet its obligations under the Concession Contract, which could lead to termination of the Concession Contract.

The Concessionaire is subject to governmental regulation and audit.

The Concessionaire is subject to a wide range of national, provincial and municipal regulation and supervision generally applicable to companies engaged in business in Panama, including laws and regulations pertaining to taxation, labor, social security, public health, consumer protection, the environment and competition. There can be no assurance that existing or future legislation and regulation will not require material expenditures by the Concessionaire or otherwise have a material adverse effect on the Concessionaire's operations. In addition, the ability of the Concessionaire to enter into subcontracts such as the Ancillary Service Agreements is subject to approval of certain national government agencies, and no assurances can be given that such national agencies will approve the subcontracts entered into by the Concessionaire. There can be no assurance that a governmental agency in Panama will not impose new or amended regulations, or conduct an audit, that would adversely affect the Concessionaire's financial condition or results of operation. Such effects could have an adverse impact on the level of revenues from Tolls collected on the Corredor Sur thereby affecting the ability of the Issuer to meet its obligations under the notes.

The business of the Concessionaire could suffer as a result of current or future litigation.

The Concessionaire is and may in the future be subject to various legal proceedings, including claims involving arbitration with the Panamanian government, concealed gains and indemnification from the Panamanian government. It is inherently difficult to assess the outcome of litigation matters, and there can be no assurance that the Concessionaire will prevail in any litigation. Any such litigation could result in substantial cost and diversion of the Concessionaire's efforts, which by itself could have a material adverse effect on the Concessionaire's financial condition and operating results. Further, adverse determinations in such litigation could result in loss of the Concessionaire's assets or subject the Concessionaire to significant liabilities to third parties, any of which could materially adversely affect the Concessionaire's business, financial condition or results of operations.

An unpaid judgment creditor of the Concessionaire could also bring a petition for the bankruptcy of the Concessionaire, and if successful, a bankruptcy declaration could lead to termination of the Concession Contract. Following termination of the Concession Contract under these circumstances, the Issuer would no longer receive tolls and would be unable to meet its payment obligations on the notes. The Issuer has established a Litigation Reserve Account, which will be funded at the Closing Date in an amount equal to US\$1,800,000 and which will be increased in the event of adverse determinations by the applicable courts with respect to Existing Legal Proceedings. In addition, with the consent of the Controlling Party, amounts in the Debt Service Reserve Account may be available to cover obligations of ICA Panama in the event of an adverse final and non-appealable judgment with respect to an Existing Legal Proceeding. However, there can be no assurance that amounts deposited in the Litigation Reserve Account or the Debt Service Reserve Account will be sufficient to satisfy judgments that may be rendered against the Concessionaire with respect to the Existing Legal Proceedings.

Labor problems and catastrophic events beyond the Issuer's or the Concessionaire's control may affect the operation of the Corredor Sur.

The operation of the Corredor Sur could be disrupted by labor disputes affecting the Operator or by catastrophic events such as floods, earthquakes or other similar events, which could significantly reduce the toll revenues generated or significantly increase the expense of operating, maintaining or restoring the toll road. While the Concessionaire maintains insurance (to the extent available on commercially reasonable terms) to protect against loss or damage to the Concessionaire's assets, such insurance is subject to customary deductible and coverage limits. Accordingly, there can be no assurance that the proceeds of such insurance, together with any other available funds, will be sufficient to provide for the repair or replacement of the damaged or destroyed portion of the toll road, or

that such insurance will remain on commercially reasonable terms or at all. Although the Concessionaire maintains business interruption insurance, operational interruptions could adversely affect the amount of toll revenues from operation of the toll road or even result in termination of the Concession.

The Concessionaire relies on an affiliate to conduct operation, maintenance, administrative and management services for the Corredor Sur.

The Concessionaire receives operation and maintenance services from the Operator, pursuant to the O&M Agreement. ICA Panama may replace Maxipista de Panamá, S.A. as Operator in the event of a default under the O&M Agreement. If ICA Panama fails to enforce its rights against the Operator under the O&M Agreement after an agreed cure period, an Event of Default under the notes will occur. However, if for any reason the Operator fails to provide the operation, maintenance, administrative and management services to the Concessionaire, or if the O&M Agreement terminates and the Concessionaire is not able to enter into replacement arrangements or agreements with other appropriate service providers in a timely fashion and on favorable terms, then the Concessionaire may incur significantly higher operating costs and may not be able to perform its obligations under the Concession Contract. Such higher costs could have an adverse effect on the Concessionaire's business and therefore the Issuer's ability to meet its obligations under the notes. Failure to perform obligations under the Concession Contract could lead to termination of the Concession Contract without compensation, which would terminate the Issuer's ability to pay principal and interest on the notes.

Certain Risks Relating to Panama

Panama's economic situation may affect the Concessionaire's business.

The Corredor Sur and all of the Concessionaire's operations are located in Panama. Accordingly, the Concessionaire's financial condition and results of operations, as well as the Issuer's ability to meet its obligations under the notes, are substantially dependent on economic conditions prevailing from time to time in Panama. Panama's real gross domestic product, or GDP, increased in 2004 by 6.2%; however, the government of Panama expects economic growth to slow to 3.6% in 2005, related primarily to increased energy costs and a fiscal austerity package. Panama's growth rate may also be adversely affected by the effects of a proposed reform of the Panamanian Social Security system, involving social security tax increases, aimed at curbing its significant deficit.

Slow economic growth of the Panamanian economy would adversely affect the expected growth rates for traffic flows in Corredor Sur and the collection of Tolls. Due to the small size and limited focus of the Panamanian economy, adverse developments in Panama, even developments affecting a single activity, could have a more pronounced effect than would be the case if the developments occurred within the context of a larger, more diversified economy. Therefore, any adverse effect on the Panamanian economy could adversely affect usage of the Corredor Sur, thereby impairing the Issuer's ability to meet its payment obligations under the notes.

The Concessionaire may be adversely affected by future political crises in Panama.

Panama's economy has, to a significant extent, been affected by the form of its government and governmental policies. Prior to 1968, Panama had a constitutional democracy and a growing economy. In 1968, the military secured control over the government and military rule continued until 1987, when a political crisis erupted among the then ruling military dictator, General Manuel Antonio Noriega, civilian organizations, political parties and the business community, which had been agitating for a return to democratic rule. In December 1989, Mr. Noriega was deposed, largely as a result of U.S. military intervention, and Guillermo Endara, who had been elected by an overwhelming majority of Panama's population in a popular vote earlier in the year, was sworn in as President.

Since the end of 1989, the government of Panama has been democratically elected. Mr. Endara was succeeded by Ernesto Pérez Balladares, who was elected in May 1994 and finished his presidential term in August of 1999. Mireya Moscoso took office on September 1, 1999 and completed her presidential term on August 31, 2004. National elections were held on May 2, 2004, and Martin Torrijos, leader of the *Partido Revolucionario Democrático* (Revolutionary Democratic Party), was elected president for a five-year term, which began on

September 1, 2004. The Revolutionary Democratic Party also has the majority in the Panamanian Congress and holds the Mayor's office in Panama City. Despite the recent success of the democratic process, however, the past instability of the Panamanian government provides no assurance that the Concessionaire operations would not be adversely affected in the event of any future political crisis in Panama.

The Concessionaire may be adversely affected by governmental policies.

The government of Panama has exercised, and continues to exercise, significant influence over the Panamanian economy through, among other means, its ownership of certain public utilities and other enterprises. The government of Panama also has had a significant impact on the economy through various statutory and other governmental initiatives, including enforcement of a rigid labor code, subsidies, tariff policies and price controls. Accordingly, the government of Panama's actions in respect of the economy could have significant adverse effects on private sector enterprises such as the Corredor Sur and on the Concessionaire. It is not possible to determine what effect such plans or actions or the implementation thereof will have on the Panamanian economy, on the Corredor Sur or on the Concessionaire's financial condition or results of operations.

Furthermore, the government of Panama has recently approved a new law setting forth a fiscal austerity package to balance the budget of Panama. Such plan calls for reductions in government spending and certain tax adjustments, including tax increases. The plan also calls for new taxes, including, among others, an alternative tax for corporations and other legal entities equal to 1.4% of their taxable revenues (gross revenue minus foreign source revenue) to be levied in lieu of the applicable income tax, if higher. The effect this reform will have on the total tax burden of the Concessionaire and on the Panamanian economy as a whole is still unclear. However, it is possible that the Concessionaire's financial condition and results of operations could be adversely affected by this fiscal reform, over which the Concessionaire and the Issuer have no control. In addition, interest payments on the notes are currently exempted from Panamanian income tax based upon certain tax incentives provided for in Panama's securities laws. However, there can be no assurance that these tax benefits will not be changed or revoked by the Panamanian government in the future.

The Concessionaire may be adversely affected by the nature of the monetary system.

Since shortly after its independence from Colombia in 1903, Panama has used the U.S. dollar as legal tender and sole paper currency, using the Balboa only as coinage and as a unit of account with an exchange rate set at parity with the U.S. dollar. As a result, Panama has enjoyed low levels of inflation commensurate with inflation generally prevailing in the United States, averaging 1.1% for the five years 1999 through 2003, as measured by changes in the Panamanian consumer price index. Inflation was 1.5%, 2.0% and 1.8% in the first, second and third quarters of 2004, respectively. Given the dependence on the U.S. dollar and the U.S. economy, there can be no assurance that appreciation or depreciation of the U.S. dollar against other currencies or the existence of sustained higher levels of inflation in the U.S. economy (and the resultant effect on the value of the U.S. dollar) or increases or decreases in interest rates generally in the United States will not adversely affect the Panamanian monetary system or, indirectly, enterprises such as the Corredor Sur and the Concessionaire. In addition, currently there are no exchange controls or other restrictions imposed by Panamanian law on payments in U.S. dollars by the Issuer, and capital moves freely in and out of the country, without local currency risk. In the event that foreign exchange or payment restrictions are imposed by the Panamanian government preventing remittances from Panama with respect to notes, however, recourse thereof would be limited to the Issuer's assets and operations in Panama.

The regulation of the securities market in Panama is less extensive than the regulation in other countries.

Publicly available information about Panamanian issuers of securities is less readily available and less detailed in certain respects than the information that is regularly published by or about listed companies in the United States and other countries. In addition, regulations governing the Panamanian securities market are not as extensive as those in effect in the United States and other major world markets. The Issuer is a newly formed trust in Panama whose assets largely consist of the right to receive Tolls. The Concessionaire is party to the Concession Contract governed by Panamanian law and the manner in which it conducts its business as well as its financial condition are factors that have a bearing on its ability to fulfill its obligations under the Concession. The Concessionaire prepares its financial statements in accordance with IFRS, which differs from U.S. GAAP in a

number of respects. The financial statements presented elsewhere in this offering memorandum are different from those that would be presented under U.S. GAAP.

The laws of Panama may limit foreclosure on or the enforcement of rights in collateral.

The laws relating to the creation and perfection of security interests in Panama differ from those in the United States and may be subject to restrictions and limitations, including the effect of fraudulent conveyance and similar laws. In addition, under the laws of Panama, the holders may not be considered to have a secured interest in the assets of the Issuer prior to the consummation of foreclosure proceedings and therefore may not have an enforceable claim directly against the Issuer until such time. These restrictions and limitations may have the effect of preventing, limiting and/or delaying the foreclosure and subsequent disposition of the collateral, and may materially impair the claims of the holders of the notes. Any such delay in having an enforceable claim could also diminish the value of the holders' interest in such collateral due, among other things, to the existence of other potential creditors and claimants.

Certain Risks Relating to the Notes

If an Event of Default under the Indenture occurs, recourse is limited to the trust assets.

The Issuer owns no significant assets other than the Assigned Rights and the Transaction Accounts (although the Indenture Trustee does have the benefit of a collateral assignment of the shares of ICA Panama pursuant to the Guaranty Trust Agreement which it may exercise under certain circumstances as described under "Description of the Transaction Documents – Guaranty Trust Agreement"). Therefore, if toll collections and other revenues of the Issuer are insufficient to pay principal and interest with respect to the notes, or if the Issuer otherwise defaults under the Indenture, holders' remedies under the Indenture may not provide sufficient funds to fully satisfy the Issuer's obligations under the Indenture in respect of the notes. Other than the Concessionaire's agreement to pay Additional Amounts (if any) in respect of the notes and the Concessionaire's obligations in respect of an optional redemption of the notes or a redemption of the notes for tax reasons, neither the Concessionaire nor Empresas ICA nor any of their respective affiliates has any liability for the payment of amounts due in respect of the notes or for performance of any obligations under the Indenture, and payment of the notes is not guaranteed by any person.

The rights of holders under the Indenture with respect to actions that may be taken by the Indenture Trustee if an Event of Default occurs are limited.

If there is an Event of Default under the Indenture, the Controlling Party in respect of the notes will have the right to direct the Indenture Trustee to declare that all principal and interest due from the Issuer under the notes will become due and payable and institute proceedings to foreclose upon the Collateral (the Assigned Rights, the Transaction Accounts and the shares of ICA Panama). In this event, the Indenture Trustee will be able, if so instructed by the Controlling Party, to apply any money in the Transaction Accounts for your benefit and, with the consent of the MOP, have the right to sell the Assigned Rights. However, it may be difficult or impossible for the Indenture Trustee to sell the Assigned Rights, even if the consent of the MOP is obtained. In addition, if an Event of Default has occurred and is continuing, the Indenture Trustee will have the right to vote the shares of ICA Panama that have been collaterally assigned to it and may sell such shares. However, all assets identified by the Indenture Trustee as deriving from Excluded Rights will be delivered to ICATECH. Even if the Indenture Trustee is successful in finding a buyer for the Assigned Rights, there can be no assurance that the price it receives for the Assigned Rights will be the full amount due to you of all unpaid principal of, plus accrued and unpaid interest and Additional Amounts, if any, on the notes. See "Description of Transaction Documents—Guaranty Trust Agreement."

There are significant transfer restrictions on the notes, and there is no liquid market for the notes.

The notes have not been registered under the Securities Act and, in accordance with U.S. law, are subject to certain restrictions on transfer. See "Notice to Investors," "Description of the Notes—Certain Book-Entry Procedures for Global Notes" and "Plan of Distribution." In addition, no market for the notes currently exists and

no assurance can be given that such a market will develop, and, although the initial purchaser intends to make a market in the notes, it is not obligated to do so, and may discontinue any market-making at any time without notice. If a market for the notes were to develop, the notes could trade at a discount from their initial offering price. There can be no assurance that holders of notes will be able to sell their notes in the future or that such sale would be at a price equal to or greater than the initial offering price of the notes. If a market for the notes does not develop, the purchasers of the notes may be unable to resell the notes for an extended period of time, if at all. Consequently, a purchaser of notes may not be able to liquidate its investment readily, and the notes may not be readily accepted as collateral for loans.

The ratings may be lowered or withdrawn.

It is a condition to the issuance of the notes that they be rated at least “BBB-” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., “Baa2” by Moody’s Investor Service, Inc. and “BBB” by Fitch, Inc. A rating is not a recommendation to buy, sell or hold the notes (or beneficial interests therein) and is subject to revision or withdrawal in the future by the rating agencies. The rating addresses the likelihood of timely payment of interest and principal of the notes. A rating is not a recommendation to buy, sell or hold notes (or beneficial interests therein) inasmuch as such rating does not comment on the market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that it will not be lowered or withdrawn by any Rating Agency if, in its judgment, circumstances so warrant.

If the closing under the purchase agreement between the Issuer and the initial purchaser does not occur on the Closing Date, the notes will be subject to an extraordinary mandatory redemption.

If the closing under the purchase agreement between the Issuer and the initial purchaser does not occur at the Closing Date, and notes are delivered against payment by Local Brokers, the notes will be subject to an extraordinary mandatory redemption. In such an event, investors who purchased notes through Local Brokers in the Panama Stock Exchange will have their notes redeemed, for the nominal principal amount of the notes, without payment of any interest or any other amount. Local investors who purchased notes through Local Brokers in the Panama Stock Exchange at a price higher than the nominal principal amount of the notes will suffer a loss of principal as a result of this automatic redemption. See “Plan of Distribution—Initial Offering.” In such an event, the termination of the IFC Trust under the Termination and Release Agreement between the IFC Trust, the IFC, the Issuer and the Concessionaire will not become effective and as a result thereof the Assigned Rights will not have been effectively assigned to the Issuer under the Assignment Agreement and the pledge of the Assigned Rights under the Assigned Rights Pledge Agreement will not become effective. See “Description of Transaction Documents.”

USE OF PROCEEDS

The net proceeds to the Issuer from this offering of the notes are estimated to be US\$134,921,550 after the payment of the initial purchaser's commission and other expenses relating to this offering of the notes. The initial purchaser's fees, including commission, are expected to be US\$3,000,000 (after payment of applicable withholding taxes), and other expenses relating to the offering are expected to be US\$12,078,450.

The Issuer intends to use the net proceeds from this offering on deposit in the Note Issuance Proceeds Account, as follows:

- US\$51,206,969 will be used to repay in full the existing indebtedness under the IFC Loan, including a prepayment penalty, and net of the release of certain reserve accounts established in connection with the IFC Loan. The amount to be repaid takes into account the payment as scheduled of the principal and interest due under the IFC Loan on April 30, 2005. The existing IFC Loan that will be repaid consists of an original amount of US\$70.0 million divided into three parts: (i) US\$35.0 million with an interest rate of 4.000% plus LIBOR that matures on October 31, 2007; (ii) US\$20.0 million with an interest rate of 4.125% plus LIBOR that matures on October 31, 2009; and (iii) US\$15.0 million with an interest rate of 4.125% plus LIBOR that matures on October 31, 2011;
- US\$15,245,958 will be used to fund the Debt Service Reserve Account, the Major Maintenance Reserve Account and the Litigation Reserve Account;
- US\$9,615,846 will be used for working capital purposes of ICA Panama, which will include repayment of all existing accounts payable in respect of transactions with affiliates incurred in connection with the construction, maintenance and operation of the Corredor Sur, including US\$2.2 million to Asesoría Técnica y Gestión Administrativa, S.A. de C.V.; approximately US\$2.1 million to Ingenieros Civiles Asociados Panamá, S.A.; approximately US\$0.7 million to the Operator; approximately US\$0.2 million to Controladora de Operaciones de Infraestructura, S.A. de C.V.; and an aggregate amount of approximately US\$0.3 million owed severally to Grupo ICA, S.A. de C.V., Maxipistas, S.A. de C.V., Ingenieros Civiles Asociados, S.A. de C.V., ICATECH, Constructoras ICA, S.A. de C.V. and Empresas ICA under certain other agreements. Following the application of proceeds as set forth in the immediately preceding sentence, the Concessionaire will not have any outstanding related party indebtedness;
- US\$58,852,777 will be transferred by the Concessionaire to ICATECH by means of a capital reduction and subsequently transferred by ICATECH to Empresas ICA primarily for the reduction of debt and for general corporate purposes. In addition, on April 27, 2005, ICATECH granted the Concessionaire a loan in the amount of US\$1.3 million to fund a portion of the Concessionaire's obligations under the financial instrument described in Note 10 to the unaudited interim financial statements. This loan will be repaid by the Concessionaire with a portion of the proceeds of the offering of the notes.

CAPITALIZATION

The following table sets forth the capitalization of ICA Panama (i) as of March 31, 2005 and (ii) as adjusted to give effect, as of March 31, 2005, to the issuance and sale of the notes being offered hereby and the application of the proceeds from the sale of the notes. The actual amounts as of March 31, 2005 have been derived from ICA Panama's unaudited interim financial statements, including the notes thereto, included elsewhere in this offering memorandum. The following table is qualified in its entirety by, and should be read in conjunction with, such financial statements. Except as otherwise disclosed herein, there has been no material change in the capitalization of ICA Panama since March 31, 2005.

ICA Panama		
As of March 31, 2005		
	Actual	As Adjusted ⁽¹⁾
Long-term debt	US\$ 45,250,000	US\$150,000,000 ⁽²⁾
Short-term debt	7,175,000	300,000
Total debt	52,425,000	150,300,000
Shareholders' equity	159,803,776	85,051,305
Total capitalization	US\$ 212,228,776	US\$235,351,305 ⁽²⁾

- (1) Assuming the issuance of US\$150,000,000 aggregate principal amount of notes and the application of estimated net proceeds therefrom in accordance with the statements under "Use of Proceeds."
- (2) Reflects the consolidation of the long-term debt of the Issuer, which is set forth in the table below, as required under IFRS. Without taking into account the effects of the accounting consolidation, ICA Panama's long-term debt would be zero and its total capitalization would be US\$235,351,305, in each case, as of March 31, 2005 and as adjusted in footnote (1).

The following table sets forth the capitalization of the Corredor Sur Trust (i) as of March 31, 2005 and (ii) as adjusted to give effect, as of March 31, 2005, to the issuance and sale of the notes being offered hereby and the application of the proceeds from the sale of the notes.

Corredor Sur Trust ⁽¹⁾		
As of March 31, 2005⁽²⁾		
	Actual	As Adjusted ⁽³⁾
Long-term debt	US\$ --	US\$150,000,000
Short-term debt	--	--
Total debt	--	150,000,000
Equity	100	100
Total capitalization	US\$ --	US\$150,000,100

- (1) The Corredor Sur Trust will be established with the specific purpose of issuing the notes, and as a result, it has not been previously engaged in any agreement or obligation with any financial or credit institution.
- (2) This table has been prepared to give effect to the formation of the Corredor Sur Trust as of March 31, 2005.
- (3) Assuming the issuance of US\$150,000,000 aggregate principal amount of notes and the application of estimated net proceeds therefrom in accordance with the statements under "Use of Proceeds."

SELECTED FINANCIAL INFORMATION OF THE CONCESSIONAIRE

The following table presents summary financial information for ICA Panama at the dates and for the periods indicated and does not present summary financial information for the Issuer. The selected financial data as of and for each of the years ended December 31, 2002, 2003 and 2004 set forth below has been derived from, should be read in conjunction with and is qualified in its entirety by reference to the financial statements of ICA Panama and related notes thereto audited by Deloitte, which are included elsewhere in this offering memorandum. The selected financial data as of and for each of the years ended December 31, 2000 and 2001 set forth below have been derived from the audited financial statements for the respective periods, which are not included in this offering memorandum. The selected financial data as of and for the first three months of 2004 and 2005 set forth below have been derived from the unaudited interim financial statements for the respective periods, which are included elsewhere in this offering memorandum. The financial statements and notes thereto included herein are prepared and presented in accordance with IFRS, which differ in certain respects from U.S. GAAP. See Annex A to the financial statements for a summary of the differences between IFRS and U.S. GAAP that are relevant to ICA Panama.

	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(in US\$)						
Income Statement Data							
Total revenues	5,905,109	4,891,902	28,760,234	23,699,786	27,120,085	34,414,099	30,415,736
Toll revenues	4,321,038	3,856,820	17,074,696	15,315,932	14,062,589	13,118,416	12,315,782
Land sales revenues ...	1,082,521	939,821	3,572,656	7,945,558	12,739,669	20,927,987	17,868,422
Other income	--	--	228,246	213,931	--	9,924	16,093
Ancillary services							
revenues	81,484	68,305	283,614	128,307	247,043	222,800	69,750
Interest income	420,066	26,956	7,601,022	96,058	70,784	134,972	145,689
Amortization of investment							
in concession ⁽¹⁾	2,321,947	1,890,821	8,142,568	10,708,084	6,034,438	12,088,154	2,520,000
Cost of land sales	878,124	556,905	2,263,386	6,057,727	4,005,663	(2,199,448)	17,876,984
Operation and maintenance costs	919,972	954,703	4,456,922	2,118,653	3,910,731	3,931,645	3,426,233
Operating income	1,196,362	841,745	11,362,817	3,658,260	11,366,069	19,027,073	4,557,547
Interest expense	(2,174,632)	(808,794)	(3,256,619)	(4,352,671)	(6,168,212)	(22,379,274)	(13,520,423)
(Loss) income before tax ..	(978,270)	32,951	8,106,198	(694,411)	5,197,857	(3,352,201)	(8,962,876)
Income tax expense	9,900	--	304,030	--	--	--	--
Net (loss) income ⁽²⁾	(988,170)	32,951	7,802,168	(694,411)	5,197,857	(3,352,201)	(8,962,876)

- (1) The net cost of the investment in the Concession is amortized and reflected on the Concessionaire's income statement by using the units-in-use method based upon estimated vehicular traffic for the entire term of the Concession. To determine the amount of the amortization per vehicle, the net cost of the investment in the Concession is divided by the estimated volume of vehicular traffic throughout the term of the Concession. The Concessionaire periodically reviews the rate of amortization of its investment in the Concession by reference to internal analyses of projected vehicular traffic on the Corredor Sur. See "Management's Discussion and Analysis of the Concessionaire's Financial Condition and Results of Operations."
- (2) The net loss of US\$988,170 during the first three months of 2005 was primarily due to a charge of US\$1,323,587 reflecting the fair value of a financial instrument entered into between ICA Panama and Merrill Lynch in order to lock the interest rate in connection with the proposed offering of the notes. See Note 10 to the unaudited interim financial statements. Without taking into account the effect of this non-recurring transaction, ICA Panama would have recorded interest expense of US\$851,045 and net income of US\$335,417 for the first three months of 2005.

	As of March 31,		As of December 31,				
	2005	2004	2004	2003	2002	2001	2000
Balance Sheet Data:							
Investment in							
Concession	185,511,283	204,437,529	187,833,230	206,328,350	218,834,689	232,720,459	188,205,667
Long-term assets	194,581,601	212,577,214	195,959,489	214,490,160	218,983,793	233,159,785	188,659,138
Total assets	232,962,442	233,144,049	232,762,755	232,828,374	247,618,024	276,469,222	307,303,510
Total liabilities	73,158,666	81,442,467	71,970,809	82,908,280	101,713,928	213,407,369	251,885,750
Shareholder's equity	159,803,776	151,701,582	160,791,946	149,920,094	145,904,096	63,061,853	55,417,760

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONCESSIONAIRE'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the Concessionaire's financial condition and results of operations should be read in conjunction with the Concessionaire's financial statements, including the notes thereto, included in this offering memorandum. This offering memorandum contains forward-looking statements that involve risks and uncertainties. The Concessionaire's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors." The financial statements in this offering memorandum have been prepared in accordance with IFRS, which differ in certain respects from U.S. GAAP. See Annex A hereto for a discussion of the principal differences.

The Concessionaire's financial statements are expressed in U.S. dollars. The Balboa, the official monetary unit of Panama, is freely exchangeable for the U.S. dollar on a one-to-one basis. Panama does not issue paper currency; instead, it uses the U.S. dollar as its legal currency.

Overview

The only operations conducted by the Concessionaire are those authorized in accordance with the Concession Contract. Among other things, the Concession Contract authorized the Concessionaire exclusively to study, design, build, maintain, operate and administer the Corredor Sur. The Concession expires on the earlier to occur of (i) June 26, 2029, which is the thirtieth anniversary of the date that the first completed section of the Corredor Sur toll road began operations, and (ii) the date on which the Concessionaire achieves the *monto recuperable*. The Concession is also subject to early termination in the circumstances described under "The Concession – Expiration and Early Termination."

Under the Concession Contract, the Concessionaire receives revenues mainly from:

- Tolls collected along the Corredor Sur;
- proceeds from the sale of land and marine fill-in areas granted to the Concessionaire; and
- proceeds from ancillary services revenues agreements.

Certain of the start-up costs relating to the Concession were financed by the IFC Loan through a Panamanian trust created in connection with such financing (the "*IFC Financing Trust*"). Many of the same assets to be assigned to the Issuer in connection with the issuance of the notes were assigned to the IFC Financing Trust in connection with the IFC Loan. Repayment of the outstanding balance of the IFC Loan will be effected with a portion of the proceeds of the notes. For purposes of IFRS, the IFC Loan has been consolidated into ICA Panama's financial statements.

Factors Affecting the Concessionaire's Results of Operations

Effects of Toll Rates

The following table sets forth the actual amount of the Concessionaire's toll revenue for the first three months of 2005 and 2004, and for each of the years ended December 31, 2004, 2003 and 2002, as reflected in its financial statements:

	Three Months Ended March 31,		Year Ended December 31,		
	2005	2004	2004 (in US\$)	2003	2002
Toll revenues	4,321,038	3,856,820	17,074,696	15,315,932	14,062,589

On June 26, 2002, which was the beginning of the fourth year of operations of the Corredor Sur, the Concessionaire increased the Corredor Sur's toll rates for the first time by 26.3% (comprised of a real toll rate increase of 25% plus an inflation adjustment of 1.3%), which resulted in higher toll revenues for the Concessionaire in 2002 and 2003. In June 2004, in accordance with the Concession Contract, the Concessionaire adjusted toll rates applicable to Class A vehicles (passenger cars), while Tolls applicable to all other classes of vehicles remained unchanged. The June 2004 rate adjustment consisted of reducing the difference in rates charged at toll booths located close to each other in order to encourage users to travel longer distances on the Corredor Sur as opposed to exiting the Corredor Sur to take advantage of a lower toll. Also, as part of this rate change, rates were reduced at certain toll booths where traffic levels had not shown increases in use.

Effects of Land Sales

The following chart shows, as of December 31, 2004, the land and marine fill-in areas that have been transferred to the Concessionaire by the Panamanian government pursuant to the Concession Contract, as well as those areas remaining to be transferred:

	Total amount transferable pursuant to the Concession Contract	Amount Received by the Concessionaire as of March 31, 2005	Amount Remaining to be Transferred to the Concessionaire as of March 31, 2005
Land.....	29.5 Hectares	25.4 Hectares	4.1 Hectares
Marine fill-in areas	35.0 Hectares	23.4 Hectares	11.6 Hectares
Total.....	64.5 Hectares	48.8 Hectares	15.7 Hectares

Of the 48.8 hectares of land and marine fill-in areas that had been received by the Concessionaire as of December 31, 2004, all but 0.2 hectares had been sold by the Concessionaire as of March 31, 2005.

During the construction of the Corredor Sur, changes to the original project were requested by the MOP and were performed by the Concessionaire, which required that the Concessionaire make additional investments. Additionally, 4.1 hectares of the 29.5 hectares of land that were to have been transferred under the Concession Contract to the Concessionaire have not been transferred, although such 4.1 hectares of land form part of the area now occupied by the Corredor Sur itself due to the alteration of the original outline of the Corredor Sur made at the request of the MOP. In order to resolve claims by the Concessionaire related to such additional investments, disbursements and land not transferred, the Concessionaire and the MOP agreed to submit such claims to arbitration. In October 2003, the Concessionaire began an arbitration proceeding against the MOP, requesting that it acknowledge this obligation and pay the Concessionaire for work performed and the area not transferred. On July 14, 2004, the MOP was ordered to pay the Concessionaire in respect of such claims the amount of US\$25,053,238, which includes principal plus accrued interest to such date. The Panamanian government has not notified the Concessionaire of the payment date, but interest will continue to accrue at a rate of 9% *per annum* until the amount is paid. As of December 31, 2004, the amount that the Panamanian government was required to pay to the Concessionaire, including interest, was US\$25,771,455. The Panamanian government has not made payment to date. See "The Corredor Sur—Legal Proceedings."

The 11.6 hectares of marine fill-in rights area remaining to be transferred as of December 31, 2004 may not be transferred to the Concessionaire as a result of a recent decision by the Supreme Court of Panama. However, pursuant to the Concession Contract, the MOP is obligated to find alternative means of compensating the Concessionaire for the income it would have realized through the sale of the land that would have been created following fill-in operations. The Concessionaire currently cannot assure whether or how the MOP will make such compensation.

For purposes of the Concessionaire's audited financial statements, the amounts recorded in respect of land sales are based on the actual sales proceeds net of costs of improvement and sale. The actual cumulative amount of the Concessionaire's net income from land sales through March 31, 2005 and December 31, 2004 was US\$71,646,905 and US\$71,293,615, respectively.

Effects of Panamanian Economic Conditions

All of the Concessionaire's operations are located in Panama. Accordingly, the Concessionaire's financial condition and results of operations are dependent on economic conditions prevailing from time to time in Panama. According to official figures issued by the Panamanian government, Panama's real gross domestic product, or GDP, increased by 4.0%, 2.7%, 0.6%, 2.2% and 4.1% in 1999, 2000, 2001, 2002 and 2003, respectively. Panama's real gross domestic product, or GDP, increased in 2004 by 6.2%; however, the government of Panama expects economic growth to slow to 3.6% in 2005, related primarily to increased energy costs and a fiscal austerity package. This growth rate is attributed to last year's expansion of traffic growth in the Panama canal, which generated revenues of around US\$1.0 billion. In 2004, the economy also benefited from strong consumer spending, as well as firm construction growth resulting from tax benefits. However, the government of Panama expects economic growth to slow to 3.6% in 2005, related primarily to increased energy costs and a recently approved fiscal austerity package aimed at curbing Panama's widening budget deficit. Since the Concessionaire's operations are focused on the Panamanian domestic market, the Concessionaire's results of operations and financial condition are necessarily dependent on the local economy and the effect the economy has on customers.

Critical Accounting Policies

The Concessionaire's financial statements are prepared in accordance with IFRS, which require that management make estimates and assumptions related to certain amounts and certain required disclosures in the financial statements. Although actual results of operations may differ as a consequence of such estimates and assumptions, the Concessionaire's management believes that the estimates and assumptions it has made are adequate under the circumstances.

Management has identified the following accounting policies that involve estimates and suppositions that materially affect the Concessionaire's financial statements for the fiscal years ended December 31, 2004, 2003 and 2002:

Long-lived Assets

All costs incurred, including borrowing costs, related to the construction of the Corredor Sur are capitalized and presented net of investment in land which is ceded to the Concessionaire by the Panamanian government at fair value. The fair value of such land is determined based on valuations made by independent appraisers.

The net cost of the investment in the Concession is amortized and reflected on the Concessionaire's income statement by using the units-in-use method based upon estimated vehicular traffic for the entire term of the Concession. To determine the amount of the amortization per vehicle, the net cost of the investment in the Concession is divided by the estimated volume of vehicular traffic throughout the term of the Concession. In determining the estimated volume of vehicular traffic, the Concessionaire considers factors such as actual results, temporary reductions resulting from toll increases, the implementation of commercial strategies to promote the use of the road, socio-demographic growth, new real estate developments and the growth of the total number of vehicles, among other factors, which may differ and be adjusted according to actual results obtained.

The Concessionaire periodically reviews the rate of amortization of its investment in the Concession by reference to internal analyses of projected vehicular traffic on the Corredor Sur. For the year ended December 31, 2003, the Concessionaire recorded an adjustment in amortization of the investment in the Concession in the amount of US\$3.1 million. This amortization adjustment was the result of the Concessionaire's internal review of, and resulting adjustment in, estimated traffic volume over the term of the Concession.

When any indicators of impairment are detected for the assets in use, the Concessionaire evaluates the impairment and records an impairment loss when the carrying amount is greater than the amount that can be recovered. The amount that can be recovered is the higher of net selling price and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset using the appropriate discount rate.

In connection with the audited financial statements as of December 31, 2004, although no indications of impairment were present, the Company determined the value in use of its investment in the Corredor Sur using a discounted cash flows analysis prepared by an independent consultant based on projections of future traffic and revenues and concluded that no impairment adjustment was necessary.

Rights Receivable from the Panamanian Government

All rights related to marine fill-in areas and land receivable from the Panamanian government are recorded at fair value. The amount recorded as a right receivable from the Panamanian government is reduced from the cost of the investment in the Concession.

Inventories

The Concession Contract provides that the Concessionaire is to receive an area of 29.5 hectares of land and 35.0 hectares of marine fill-in area. The marine fill-in area requires improvement investments to create usable land. Once the land has been created, the Concession Contract requires that its ownership be transferred to the Concessionaire. The reclaimed land and the other land parcels are improved by the installation of basic drainage, utility and access infrastructure and then sold to real estate developers.

Inventories consist of investments in land held for sale, and the value thereof equals (i) either (A) the fair value of the land or (B) the fair value of the marine fill-in rights before the reclaimed land is created, as the case may be, plus (ii) costs of installing basic infrastructure improvements required for preparing the land for sale, including labor costs, taxes, material costs and other direct and indirect costs. Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all costs of completion and costs to be incurred in marketing and selling.

Provisions

Provisions are recorded when the Concessionaire has a current obligation as a result of a past event and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

Contingent Liabilities

Pursuant to IFRS, contingent liabilities are not acknowledged in the financial statements until it is considered, with a certain degree of certainty, that there will be a future expenditure of funds. Note 18 to the Concessionaire's audited financial statements contains details of the considerations applicable to contingent liabilities.

Results of Operations

Three-Month Period Ended March 31, 2005 Compared to Three-Month Period Ended March 31, 2004

The following table sets forth, for the periods indicated, certain of the Concessionaire's internal financial data, expressed in U.S. dollars:

	For the Three Months ended March 31,			
	2005		2004	
Toll revenues	US\$	4,321,038	US\$	3,856,820
Land sales revenues		1,082,521		939,821
Ancillary services revenues		81,484		68,305
Interest income.....		420,066		26,956
Total revenues		5,905,109		4,891,902
Amortization of investment in the Concession		2,321,947		1,890,821
Cost of land sales		878,124		556,905
Operation and maintenance costs.....		919,972		954,703
Total cost of sales.....		4,120,043		3,402,429
Gross profit		1,785,066		1,489,473
General and administrative expenses.....		588,704		647,728
Operating income		1,196,362		841,745
Interest expense		(2,174,632)		(808,794)
(Loss) income before taxes.....		(978,270)		32,951
Income tax expense.....		9,900		--
Net (loss) income	US\$	(988,170)	US\$	32,951

Toll revenues. Toll revenues consist of Tolls collected from users of the Corredor Sur. Toll revenues were US\$4,321,038 in the first three months of 2005, as compared to US\$3,856,820 in the first three months of 2004, an increase of 12.0%. This increase primarily reflects the increase in total traffic volume on the Corredor Sur in the first three months of 2005 compared to the same period of 2004 and a toll adjustment for Class A vehicles effected on June 25, 2004.

Land sales revenues. Land sales revenues in the first three months of 2005 were US\$1,082,521, representing a 15.2% increase as compared to US\$939,821 in the same period of 2004. This increase was primarily the result of a greater sale price per square meter for land sold during the first quarter of 2005 as compared to the same period of 2004.

Ancillary services revenues. Ancillary services revenues consist of payments received by the Concessionaire pursuant to the Ancillary Service Agreements. The Concessionaire has entered into these agreements with (i) Publitop de Panamá, S.A. relating to the right to display advertising signs along the Corredor Sur and (ii) The Shell Company (W.I.) Limited Panama relating to the provision of two gas stations with an automobile repair shop and a convenience store along the Corredor Sur. Ancillary services revenues increased by 19.3%, from US\$68,305 in the first three months of 2004 to US\$81,484 in the 2005 period. This increase is primarily the result of an increase in the total traffic volume on the Corredor Sur.

Interest income. Interest income includes (i) interest earned in respect of the amounts payable by the MOP to the Concessionaire in connection with an arbitration award against the MOP and (ii) interest earned in connection with the daily deposits of toll revenues into a special trust account in connection with the IFC Loan. Interest earned was US\$420,066 in the first three months of 2005 as compared to US\$26,956 in the same period in 2004. This increase is mostly due to the accrual of US\$380,232 in interest income related to the arbitration award against the

MOP in the first three months of 2005. The amounts due to the Concessionaire in connection with the arbitration proceedings have not yet been paid to the Concessionaire by the MOP.

Amortization of investment in the Concession. The net cost of the investment in the Concession is amortized and reflected on the Concessionaire's income statement by using the units-in-use method based upon estimated vehicular traffic for the entire term of the Concession. To determine the amount of the amortization per vehicle, the net cost of the investment in the Concession is divided by the estimated volume of vehicular traffic throughout the term of the Concession. Amortization of investment in the Concession increased by US\$431,126, or 22.8%, from US\$1,890,821 in the first three months of 2004 to US\$2,321,947 in the first three months of 2005. This increase was due to an increase in the total traffic volume on the Corredor Sur during the first three months of 2005 as compared to the same period of 2004.

Cost of land sales. Cost of land sales consists of investments in land held for sale and equals (i) either (A) the fair value of the land or (B) the fair value of the marine fill-in rights before the reclaimed land is created, as the case may be, plus (ii) estimated costs of installing basic drainage, utility and access infrastructure required for improving the land for sale, including labor costs, taxes, material costs and other direct and indirect costs. Costs of land sales increased by US\$321,219, or 57.7%, from US\$556,905 in the first quarter of 2004 to US\$878,124 in the first quarter of 2005. This increase was mainly the result of the higher cost of improvement in marine fill-in areas as compared to firm land.

Operation and maintenance costs. Operation and maintenance costs consist of (i) the costs of operation, minor or routine maintenance and insurance for the Corredor Sur and (ii) provisions for major maintenance expenses determined on the basis of the major maintenance program established for the entire term of the Concession. Operation and maintenance costs in the first three months of 2005 were US\$919,972, representing a decrease of 3.6% as compared to US\$954,703 recorded for the first three months of 2004. This decrease was primarily due to a smaller provision for major maintenance expenses recorded in the first quarter of 2005 as compared to the same period of 2004.

General and administrative expenses. General and administrative expenses were US\$588,704 in the first three months of 2005, representing a decrease of US\$59,024, or 9.1%, as compared to US\$647,728 in the same period in 2004. This decrease was primarily the result of (i) a charge of US\$388,750 in the first quarter of 2004 for expenses related to the arbitration proceeding against the MOP, (ii) the establishment of a reserve of US\$238,415 in the first quarter of 2005 relating to the obsolescence of certain materials in inventory used in the improvement of real property and (iii) a charge of US\$101,610 in the first quarter of 2005 for expenses related to real property.

Operating income. As a result of the factors described above, operating income increased from US\$841,745 in the first three months of 2004 to US\$1,196,362 in the first three months of 2005.

Interest expense. Interest expense includes the interest expense related to loans secured by real property, the interest expense related to the IFC Loan and other interest expenses. The Concessionaire's interest expense in the first three months of 2005 was US\$2,174,632, representing a 168.9% increase as compared to US\$808,794 in the first three months of 2004. This increase was primarily due to the recording as interest expense of a charge in the amount of US\$1,323,587 reflecting the fair value of a financial instrument entered into between ICA Panama and Merrill Lynch in order to lock the interest rate in connection with the proposed offering of the notes, as further described in Note 10 to the unaudited interim financial statements. Without taking into account the effect of this non-recurring transaction, the Concessionaire would have recorded interest expense of US\$851,045 for the first three months of 2005, a 5.2% increase over the first quarter of 2004. The increase in interest expense was also attributable to an increase in the interest rate on the IFC Loan from 5.3% in the first quarter of 2004 to 6.3% for the same period of 2005.

(Loss) income before taxes. As a result of the factors described above, the Concessionaire recorded a loss before taxes of US\$978,270 in the first three months of 2005 as compared to net income before taxes of US\$32,951 in the first three months of 2004. Without taking into account the non-recurring interest expense recorded in connection with the financial instrument described in the preceding paragraph, the Concessionaire had net income of US\$345,317 in the first three months of 2005.

Income tax expense. Pursuant to the Concession Contract, the Concessionaire was exempt from the payment of income tax until June 2004. From July 2004 to June 2009, the Concessionaire will receive a 75% exemption from the payment of income tax. After June 2009 to the end of the Concession, the Concessionaire will receive a 50% exemption from the payment of income tax. During the first three months of 2005, a reserve of US\$9,900 in respect of income taxes was recorded.

Net (loss) income. As a result of the factors described above, the Concessionaire had a net loss of US\$988,170 in the first three months of 2005 as compared to net income of US\$32,951 in the 2004 period. The net loss of US\$988,170 during the first three months of 2005 was primarily due to a charge of US\$1,323,587 reflecting the fair value of a financial instrument entered into between ICA Panama and Merrill Lynch in order to lock the interest rate in connection with the proposed offering of the notes. See Note 10 to the unaudited interim financial statements. Without taking into account the effect of this non-recurring transaction, ICA Panama would have recorded net income of US\$335,417 for the first three months of 2005. The net results for the first three months of 2005 also reflected higher toll revenues and an increase in interest earned due to the accrual of interest on amounts payable in connection with the arbitration award against the MOP, in each case as described above.

Fiscal Year Ended December 31, 2004 Compared to Fiscal Year Ended December 31, 2003

The following table sets forth, for the periods indicated, certain of the Concessionaire's financial data, expressed in U.S. dollars:

	For the Year Ended December 31,	
	2004	2003
Toll revenues	US\$ 17,074,696	US\$ 15,315,932
Land sales revenues	3,572,656	7,945,558
Other income	228,246	213,931
Ancillary services revenues	283,614	128,307
Interest income.....	7,601,022	96,058
Total revenues	28,760,234	23,699,786
Amortization of investment in the Concession	8,142,568	10,708,084
Cost of land sales	2,263,386	6,057,727
Operation and maintenance costs.....	4,456,922	2,118,653
Total cost of sales.....	14,862,876	18,884,464
Gross profit	13,897,358	4,815,322
General and administrative expenses	2,534,541	1,157,062
Operating income	11,362,817	3,658,260
Interest expense	(3,256,619)	(4,352,671)
Income (loss) before taxes	8,106,198	(694,411)
Income tax expense.....	304,030	--
Net income (loss).....	US\$ 7,802,168	US\$ (694,411)

Toll revenues. Toll revenues were US\$17,074,696 in 2004, as compared to US\$15,315,932 in 2003, an increase of 11.5%. This rate of growth primarily reflects the toll adjustment for Class A vehicles effected on June 25, 2004 and an 8.7% increase in total traffic volume on the Corredor Sur in 2004 compared to 2003.

Land sales revenues. Land sales revenues in 2004 were US\$3,572,656, representing a 55% decrease as compared to US\$7,945,558 in 2003. This decrease was the result of a smaller area of Concessionaire-owned land available for sale during 2004 (1.2 hectares as of December 31, 2003) as compared to the amount available for sale during 2003 (4.1 hectares as of December 31, 2002).

Other income. Other income consists mainly of revenues relating to the lease of equipment by the Concessionaire to the Operator, discount from payments of amounts payable by the Concessionaire and asset sales. Other income increased by 7%, from US\$213,931 in 2003 to US\$228,246 in 2004. This increase was mainly the result of asset sales.

Ancillary services revenues. Ancillary services revenues increased by 121%, from US\$128,307 in 2003 to US\$283,614 in 2004. This increase is primarily the result of a charge of US\$122,371 for past-due accounts recorded in previous years, as well as increased revenues from the Ancillary Service Agreements recorded in 2004.

Interest income. Interest earned was US\$7,601,022 in 2004 as compared to US\$96,058 in 2003. The increase from 2003 to 2004 is mostly due to the accrual in 2004 of US\$7,465,227 in interest income related to the arbitration award against the MOP. The amounts due to the Concessionaire in connection with the arbitration proceedings have not yet been paid to the Concessionaire by the MOP.

Amortization of investment in the Concession. Amortization of investment in the Concession decreased by US\$2,565,516, or 24%, from US\$10,708,084 in 2003 to US\$8,142,568 in 2004. This decrease was due to the combination of (i) the recordation of a decrease in the investment in the Concession in the amount of US\$10,585,010 relating to the Concessionaire's arbitration award against the MOP, thereby reducing the amount of the investment in the Concession to be amortized per vehicle; (ii) an increase in traffic on the Corredor Sur in 2004 as compared to 2003; and (iii) the comparative effect of the US\$3,120,850 amortization of the investment in the Concession recorded in 2003 due to a revision in the Concessionaire's internal estimate of traffic volumes.

Cost of land sales. Cost of land sales decreased by US\$3,794,341, or 63%, from US\$6,057,727 in 2003 to US\$2,263,386 in 2004. This decrease was mainly the result of the smaller area of Concessionaire-owned land available for sale in 2004 (see "—Land sales revenues" above).

Operation and maintenance costs. Operation and maintenance costs in 2004 were US\$4,456,922, representing an increase of 110% as compared to US\$2,118,653 recorded for 2003. This increase was primarily due to the effect of the reversal of a provision for major maintenance costs in 2003 in the amount of US\$1,172,748. This reversal was made following the Concessionaire's reconsideration of the estimated major maintenance costs included in the Corredor Sur's major maintenance program. Without considering the effect of the provision reversal, and assuming a provision for major maintenance in 2003 equal to that recorded in 2002, operation and maintenance costs for 2003 would have been US\$3,855,768, which would have reflected an increase in operation and maintenance expenses of 16% in 2004 as compared to 2003. The increase in operation and maintenance expenses in 2004 compared to 2003 was also attributable to the establishment in 2004 of a new provision relating to major maintenance costs in the amount of US\$611,658.

General and administrative expenses. General and administrative expenses were US\$2,534,541 in 2004, representing an increase of US\$1,377,479, or 119%, as compared to US\$1,157,062 in 2003. This increase was the result of (i) expenses of US\$331,799 related to the arbitration proceeding against the MOP; (ii) the recording of a provision in the amount of US\$718,217 in connection with accrued interest payable after the ruling date July 14, 2004 by the Panamanian government in connection with the MOP arbitration proceeding; and (iii) expenses related to the offering of the notes. These expenses were partially offset by a decrease of US\$134,301 in accrued compensation costs resulting from cancellation of the severance reserve established for use in connection with involuntary dismissals of personnel.

Operating income. As a result of the factors described above, operating income increased from US\$3,658,260 in 2003 to US\$11,362,817 in 2004.

Interest expense. The Concessionaire's interest expense in 2004 was US\$3,256,619, representing a 25% decrease as compared to US\$4,352,671 in 2003. This decrease was mainly due to a reduction in the amounts outstanding under the Concessionaire's loans secured by real property and the IFC Loan. Specifically, the Concessionaire reduced its outstanding mortgage loan debt by US\$1,942,144 in 2004. In addition, the amount outstanding under the IFC Loan was reduced by US\$6,375,000, from US\$58,500,000 as of December 31, 2003 to US\$52,125,000 as of December 31, 2004.

Income (loss) before taxes. As a result of the factors described above, including the decrease in interest expense, the Concessionaire's income before taxes was US\$8,106,198 in 2004 as compared to a loss before taxes of US\$694,411 in 2003.

Income tax expense. Pursuant to the Concession Contract, the Concessionaire was exempt from the payment of income tax until June 2004. From July 2004 to June 2009, the Concessionaire will receive a 75% exemption from the payment of income tax. After June 2009 to the end of the Concession, the Concessionaire will receive a 50% exemption from the payment of income tax. In 2004, a reserve of US\$304,030 in respect of income taxes was recorded, including deferred liabilities of US\$14,750.

Net income (loss). As a result of the factors described above, the Concessionaire had a net income of US\$7,802,168 in 2004 compared to a net loss of US\$694,411 in 2003. This improvement in the net results for 2004 was due primarily to (i) higher interest earned due to the accrual of interest on amounts payable in connection with the arbitration award against the MOP; (ii) higher toll revenues; and (iii) a decrease in amortization of investment in the Concession, partially offset by increases in operation and maintenance costs and general and administrative expenses, in each case as described above.

Fiscal Year Ended December 31, 2003 Compared to Fiscal Year Ended December 31, 2002

The following table sets forth, for the periods indicated, certain items in the Concessionaire's income statement:

	For the Year Ended December 31,	
	2003	2002
Toll revenues	US\$ 15,315,932	US\$ 14,062,589
Land sales revenues	7,945,558	12,739,669
Other income	213,931	--
Ancillary services revenues	128,307	247,043
Interest income.....	96,058	70,784
Total revenues	23,699,786	27,120,085
Amortization of investment in the Concession	10,708,084	6,034,438
Cost of land sales	6,057,727	4,005,663
Operation and maintenance costs.....	2,118,653	3,910,731
Total cost of sales.....	18,884,464	13,950,832
Gross profit	4,815,322	13,169,253
General and administrative expenses.....	1,157,062	1,803,184
Operating income	3,658,260	11,366,069
Interest expense	(4,352,671)	(6,168,212)
Income (loss) before taxes	(694,411)	5,197,857
Income tax expense.....	--	--
Net income (loss).....	US\$ (694,411)	US\$ 5,197,857

Toll revenues. Toll revenues were US\$15,315,932 in 2003, as compared to US\$14,062,589 in 2002, representing an increase of 9%. This rate of growth primarily reflects the toll increase of 26.3% (comprised of a 25% real toll rate increase plus an inflation increase of 1.3%) effected on June 26, 2002, as well as increased traffic volumes in the second half of 2003 in comparison with the same period in 2002.

Land sales revenues. Land sales revenues in 2003 were US\$7,945,558 in 2003, representing a 38% decrease as compared to US\$12,739,669 in 2002. This decrease was mainly the result of a smaller area of Concessionaire-owned land available for sale in 2003 (4.1 hectares as of December 31, 2002) as compared to 2002 (8.5 hectares as of December 31, 2001).

Other income. The amount of other income in 2003 represents mainly (i) revenues relating to the lease of equipment by the Concessionaire to the Operator, (ii) discounts from amounts payable by the Concessionaire and (iii) the cost of a major maintenance study that was reimbursed to the Concessionaire by the IFC Trust.

Ancillary services revenues. Ancillary services revenues in 2003 were US\$128,307, representing a 48% decrease as compared to US\$247,043 in 2002. This decrease was primarily the result of the recording of a charge in 2003 of US\$122,371 corresponding to past due amounts under Ancillary Service Agreements from 2002 and 2003.

Interest income. The amount of interest earned increased by US\$25,274, or 35.7%, from US\$70,784 in 2002 to US\$96,058 in 2003 due to a higher average balance during 2003 of specific-use cash deposited in accounts administered in connection with the IFC Loan.

Amortization of investment in the Concession. Amortization of investment in the Concession rose by US\$4,673,646, or 77.4%, from US\$6,034,438 in 2002 to US\$10,708,084 in 2003. This increase was due to the revision of the Concessionaire's internal estimated traffic base, which resulted in an increase in the amortization amount per vehicle applicable during 2003 as compared to 2002.

Cost of land sales. Cost of land sales rose by US\$2,052,064, or 51.2%, from US\$4,005,663 in 2002 to US\$6,057,727 in 2003. This increase was the result of a modification in 2002 of the estimated costs of installing basic drainage, utility and access infrastructure required for improving the land for sale. As a result of this modification, the cost of land sales recorded in 2002 decreased by US\$6,224,017. Without the modification, the cost of land sales for 2002 would have been US\$10,229,680 and the cost of land sales for 2003 would have decreased 41% or US\$4,171,953 when compared to the 2002 modified figure. This decrease in 2003 compared to 2002 was mainly due to the smaller area of the Concessionaire-owned land available for sale in 2003 (see "—Land sales revenues" above).

Operation and maintenance costs. Operations and maintenance costs were US\$2,118,653 in 2003, representing a decrease of 46% as compared to US\$3,910,731 in 2002. This decrease was due primarily to the effect of a US\$1,172,748 reversal in 2003 of a provision for major maintenance expenses following the Concessionaire's reconsideration of the estimated major maintenance costs included in the Corredor Sur's major maintenance program. Without the provision reversal, the operation and maintenance expenses amount for 2003 would have been US\$3,855,768, which would have reflected a decrease in operation and maintenance expenses of 1% in 2003 as compared to 2002. The decrease in operation and maintenance expenses in 2003 as compared to 2002 was also attributable to a 10% reduction in insurance premiums payable by the Concessionaire.

General and administrative expenses. General and administrative expenses were US\$1,157,062 in 2003, representing a reduction of US\$646,122, or 35.8%, as compared to US\$1,803,184 of such expenses in 2002. This reduction was mainly the result of (i) a reduction of US\$325,623 in expenses in connection with a personnel reduction in 2003 and (ii) a charge of US\$341,226 allocated in 2002 to general and administrative expenses relating to the charge-off of miscellaneous doubtful accounts receivable.

Operating income. As a result of the factors described above, the Concessionaire had operating income of US\$3,658,260 in 2003, representing a decrease of 68%, as compared to US\$11,366,069 in 2002.

Interest expense. The Concessionaire's interest expense in 2003 was US\$4,352,671, a 29% decrease compared to US\$6,168,212 in 2002. This decrease was mainly due to a reduction in the amounts outstanding under the Concessionaire's loans secured by real property and the IFC Loan. Specifically, the Concessionaire reduced its outstanding mortgage loan debt by US\$6,497,104, from US\$8,739,248 in 2002 to US\$2,242,144 in 2003, and the amount outstanding under the IFC Loan was reduced by US\$5,275,000, from US\$63,775,000 as of December 31, 2002 to US\$58,500,000 as of December 31, 2003.

Income (loss) before taxes. As a result of the factors described above, the loss before taxes was US\$694,411 in 2003 as compared to income before taxes of US\$5,197,857 in 2002.

Income tax expense. Pursuant to the Concession Contract, the Concessionaire was exempt from the payment of income tax in 2003 and 2002.

Net income (loss). As a result of the factors discussed above, the Concessionaire had a net loss of US\$694,411 in 2003, as compared to net income of US\$5,197,857 in 2002. The net loss for 2003 was principally the result of adjustments in the amortization of investment in the Concession, decreased revenues from land sales and higher cost of land sales in comparison with 2002.

Liquidity and Capital Resources

In order to satisfy its liquidity and capital requirements, the Concessionaire has relied on cash provided by operating activities, borrowings under the IFC Loan and loans secured by real property and increases in its share capital. These funds provide the Concessionaire with the resources to operate, maintain and, when necessary, improve, the Corredor Sur and to improve and sell the real estate granted to the Concessionaire pursuant to the Concession Contract.

The Concessionaire had cash and temporary investments amounting to US\$11,785,284 as of March 31, 2005, US\$9,326,409 as of December 31, 2004, US\$5,870,954 as of December 31, 2003 and US\$3,715,252 as of December 31, 2002. Over these periods, cash flow has increased as a result of increased revenues from the operation of the Concession and certain capital increases effected in 2001, 2002 and 2003, as described below under “—Capital Increases.” As of March 31, 2005, the Concessionaire had a total outstanding debt of US\$53,827,095 (US\$1,402,095, of which was interest).

As of March 31, 2005, the Concessionaire had working capital (calculated as current assets minus current liabilities) of US\$10,500,911, and as of December 31, 2004, the Concessionaire had working capital of US\$10,124,492. As of December 31, 2003, the Concessionaire had a working capital deficit of US\$12,289,015 and, as of December 31, 2002, a working capital deficit of US\$12,692,122. The elimination of the working capital deficit from 2002 to 2004 resulted from the increase of capital by cash capital contributions, payment of loans secured by real property, increased cash available as a result of higher toll revenues and, in 2004, the accrual by the Concessionaire of US\$25,053,238 (comprised of US\$17,133,924 in principal plus accrued interest as to such date of US\$7,919,314) payable by the Panamanian government in connection with an arbitration award.

The daily toll revenues and the revenues from the Ancillary Service Agreements are deposited into trust accounts established to secure the interest and principal payments of the IFC Loan. As of December 31, 2004 and 2003, the cash balances in these accounts were US\$8,651,369 and US\$5,595,152, respectively, including cash reserves of US\$6,736,143 and US\$ 4,684,570, respectively. As of March 31, 2005 and 2004, the cash balance and related cash reserve were US\$9,286,219 and US\$7,959,012, respectively.

The Concessionaire believes that it has sufficient sources of liquidity and capital to meet its liquidity and capital requirements in light of its current financial position and its expected cash generated by operating activities, as well as the offering of the notes.

Cash Flows from Operating and Investing Activities

Cash provided by operating activities is, and the Concessionaire anticipates that it will continue to be, the single largest source of its liquidity and capital resources in future years and financial periods. For the years ended December 31, 2004, 2003 and 2002, revenues primarily from toll collections and land sales have resulted in a surplus of funds generated by operating activities in the amount of US\$9,396,078, US\$13,087,093 and US\$31,493,730, respectively. For the first three months of 2005, such revenues have resulted in a surplus of funds generated by operating activities in the amount of US\$2,461,672.

The following table sets forth certain summary information related to the Concessionaire's cash flows from operating activities for the periods indicated:

	Three months ended March 31,		Year ended December 31,	
	2005	2004	2003	2002
Net (loss) income before tax ⁽¹⁾	US\$ (988,170)	US\$ 8,106,198	US\$ (694,411)	US\$ 5,197,857
Adjustments for:				
Depreciation.....	5,703	27,746	29,056	44,804
Amortization of investment in				
Concession.....	2,321,947	8,142,568	10,708,084	6,034,438
Interest expense.....	2,174,632	3,256,619	4,352,671	6,168,212
Loss on disposal of equipment and furniture	--	4,006	3,028	78,624
Operating cash flows before movements in working capital ...	3,514,113	19,537,137	14,398,428	17,523,935
Cash generated by operations	2,487,312	12,605,584	17,583,290	37,918,214
Interest paid	(25,640)	(3,209,506)	(4,496,197)	(6,424,484)
Net cash from operating activities ..	<u>2,461,672</u>	<u>9,396,078</u>	<u>13,087,093</u>	<u>31,493,730</u>

(1) The net loss of US\$988,170 during the first three months of 2005 was primarily due to a charge of US\$1,323,587 reflecting the fair value of a financial instrument entered into between the Concessionaire and Merrill Lynch in order to lock the interest rate in connection with the proposed offering of the notes. See Note 10 to the unaudited interim financial statements. Without taking into account the effect of this non-recurring transaction, the Concessionaire would have recorded net income of US\$335,417 for the first three months of 2005.

For the first three months of 2005, there was no cash from investing activities. Net cash from investing activities was US\$22,774, US\$17,635 and US\$166,794 for the years ended December 31, 2004, 2003 and 2002, respectively.

Debt Financing

As of December 31, 2004, the Concessionaire had total principal outstanding debt of US\$52,425,000, comprised of US\$7,175,000 of short-term debt and US\$45,250,000 of long-term debt. As of March 31, 2005, the Concessionaire had total principal outstanding debt of US\$52,425,000, comprised of US\$7,175,000 of short-term debt and US\$45,250,000 of long-term debt.

The Concessionaire's debt-to-equity ratio was 0.33 at December 31, 2004, 0.41 at December 31, 2003 and 0.50 at December 31, 2002. The improved debt to equity ratio at December 31, 2004, 2003 and 2002 resulted from capital increases in 2002, 2003 and 2004 (described below under "—Capital Increases") and the application of the proceeds to reduce the Concessionaire's liabilities, and amortization of the IFC Loan and loans secured by real property. As part of its financing arrangements, the Concessionaire has the following loans outstanding.

IFC Loan. In 1999, the IFC granted the Concessionaire a loan in the amount of US\$70,000,000, bearing variable interest rates, in connection with the construction of the Corredor Sur. As of December 31, 2004, the principal balance outstanding on this loan was US\$52,125,000. To obtain the loan, the Concessionaire was required to conduct strict due diligence under the standards of the World Bank, including an assessment of the social and environmental impacts of the Corredor Sur project and associated developments. Certain rights of the Concessionaire were transferred to the IFC Trust as security for payment of the IFC Loan. These rights consist of the Corredor Sur toll collection rights, the proceeds from the Ancillary Service Agreements, the right to receive certain forms of compensation, and the right to receive indemnification from the Panamanian government in the event of an administrative redemption of the Concession Contract. All funds obtained from such sources are deposited into accounts of the IFC Trust, which is administered by Banco General, S.A., as trustee. The

Concessionaire's use of available funds in accounts of the IFC Trust is subject to certain restrictive covenants relating to, among other things, required reserves, dividend distributions, maintenance of insurance policies, share retention, financial ratios and periodic notifications and reports to the IFC. As of December 31, 2004, the Concessionaire was in compliance with its covenants relating to the IFC Loan. The IFC is the first beneficiary and ICA Panama is the second beneficiary of the IFC Trust.

The Concessionaire will use a portion of the proceeds from the notes offered hereby to repay the amounts outstanding under the IFC Loan and the Concessionaire, the IFC and the trustee under the IFC Trust will terminate the IFC Trust and the IFC Loan.

Loans Secured by Real Property. In April 2003, the Concessionaire entered into a loan with Bancafé (Panamá), S.A. secured by a mortgage on real property in the amount of US\$385,000, which matures in May 2005. The funds were applied to the infrastructure works on land held by the Concessionaire. As of December 31, 2004, US\$300,000 was outstanding under this loan. As of the date hereof, the loan is current and no default has occurred.

In August 1999, the Concessionaire incurred indebtedness secured by a mortgage on real property in the amount of US\$35,000,000, which was later increased to US\$36,000,000, with a syndicate led by Banco General, S.A. The funds were used for construction and improvement of marine reclamation areas and infrastructure works. The loan was paid in full in March 2004.

In February 2003, the Concessionaire entered into a US\$1,038,544 loan agreement with Multicredit Bank, S.A. secured by a mortgage on real property. The funds from this loan were used for construction and improvement of marine reclamation areas and infrastructure works. This loan was paid in full in February 2004.

Additional Sources of Funds

During the construction of the Corredor Sur, changes to the original project were requested by the MOP and were performed by the Concessionaire, which required that the Concessionaire make additional investments. Additionally, 4.1 hectares of the 29.5 hectares of land that were to have been transferred under the Concession Contract to the Concessionaire have not been transferred, although such 4.1 hectares of land form part of the area now occupied by the Corredor Sur itself due to the alteration of the original outline of the Corredor Sur made at the request of the MOP. In order to resolve claims by the Concessionaire related to such additional investments, disbursements and land not transferred, the Concessionaire and the MOP agreed to submit such claims to arbitration.

In October 2003, the Concessionaire began an arbitration proceeding against the MOP, requesting that it acknowledge this obligation and pay the Concessionaire for work performed and the area not transferred. On July 14, 2004, the MOP was ordered to pay the Concessionaire in respect of such claims the amount of US\$25,053,238, which includes principal plus accrued interest as of such date. The Panamanian government has not notified the Concessionaire of the payment date, but interest will continue to accrue at a rate of 9% *per annum* until the amount is paid. As of March 31, 2005 and December 31, 2004, the amount that the Panamanian government was required to pay to the Concessionaire, including interest, was US\$26,151,687 and US\$25,771,455, respectively. The Panamanian government has not made payment to date. As set forth under “—Results of Operations — Fiscal Year Ended December 31, 2004 Compared to Fiscal Year Ended December 31, 2003,” the entire \$25,771,455 was reflected in the Concessionaire's 2004 audited financial statements through (i) a reduction of US\$10,585,010 in the investment in the Concession; (ii) a reduction of US\$7,721,216 in amounts receivable from the Panamanian government; and (iii) the accrual of US\$7,465,227 as interest income.

Capital Increases

As of March 31, 2005, the Concessionaire had 100 shares of common stock outstanding, all of which are owned by ICATECH. The Concessionaire had capital increases of US\$77,644,386 in 2002, US\$4,710,409 in 2003 and US\$3,069,684 in 2004.

- In 2002, ICATECH (i) converted into capital of the Concessionaire US\$73,840,355 of loans then payable by the Concessionaire to it and (ii) made a cash capital contribution to the Concessionaire in the amount of US\$3,804,031.
- In 2003, ICATECH increased the capital of the Concessionaire by US\$4,710,409 through a cash contribution. As of December 31, 2003, Concessionaire's share capital amounted to US\$152,199,289.
- In 2004, ICATECH increased the capital of the Concessionaire by US\$3,069,684 in order to avoid a potential capital deficit due to non-recurrent items, including the debt reduction in connection with the repayment of the Multicredit Bank loan and expenses relating to the MOP arbitration and the offering of the notes.

Off-Balance Sheet Financing

The Concessionaire does not have any material off-balance sheet arrangements that are not reflected on its balance sheet that have, or that the Concessionaire believes are reasonably likely to have, a current or future effect on the Concessionaire's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Commercial Commitments

The following tables summarize the Concessionaire's significant contractual obligations and commercial commitments affecting its liquidity as of December 31, 2004:

	Total	Payments due by period			
		Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Long-term Debt:					
IFC Loan ⁽¹⁾	US\$52,125,000	US\$6,875,000	US\$7,450,000	US\$22,800,000	US\$15,000,000
Bancaf� (Panam�) S.A.	300,000	300,000	--	--	--
Interest payable ⁽²⁾	576,690	576,690	--	--	--
Total	<u>US\$53,001,690</u>	<u>US\$7,751,690</u>	<u>US\$7,450,000</u>	<u>US\$22,800,000</u>	<u>US\$15,000,000</u>

⁽¹⁾ For purposes of accounting in accordance with IFRS, the IFC Loan has been consolidated in the Concessionaire's financial statements.

⁽²⁾ Interest accrued on obligations as of March 31, 2005.

The above table does not take into account the obligations of the Concessionaire in connection with the financial instrument described in Note 10 to the unaudited interim financial statements.

As of March 31, 2005, the Concessionaire had total principal outstanding debt of US\$52,425,000, comprised of US\$7,175,000 of short-term debt and US\$45,250,000 of long-term debt.

As of December 31, 2004, the scheduled due dates of other financial commitments, including accrued interest, were:

	Total	Payments due by period			
		Less than 1 year	1 – 3 Years	3 – 5 Years	More than 5 Years
Other Obligations:					
Advance payment bonds ⁽¹⁾	US\$2,779,000	US\$2,779,000	--	--	--
Promise of payment letters ⁽²⁾	US\$ 19,000	US\$ 19,000	--	--	--

⁽¹⁾ To guarantee advance payments made by purchasers of the land sold, the Concessionaire acquired insurance policies securing amounts of US\$2,779,000.

⁽²⁾ To guarantee payment of indemnities to individuals affected by the construction of the Corredor Sur.

Maintenance Obligations

The following table sets forth projections prepared by management for the Concessionaire's budgeted annual operations and maintenance and major maintenance expenses through the stated maturity of the Concession in June 2029:

<u>Year</u>	<u>Operation and Maintenance Expenses</u>	<u>Major Maintenance Expenses</u>	<u>Year</u>	<u>Operation and Maintenance Expenses</u>	<u>Major Maintenance Expenses</u>
2005	US\$4,132,290	US\$1,567,235	2018	US\$4,370,949	US\$ 75,856
2006	4,047,108	343,081	2019	5,069,275	366,603
2007	4,212,984	196,135	2020	4,508,587	555,473
2008	4,114,108	231,593	2021	4,468,599	65,979
2009	4,640,613	559,723	2022	4,498,496	201,287
2010	4,124,473	529,893	2023	4,836,878	65,979
2011	4,362,950	65,979	2024	4,771,093	242,785
2012	4,185,387	226,868	2025	4,599,079	641,999
2013	4,242,558	191,410	2026	4,679,625	75,856
2014	4,489,401	91,773	2027	4,771,288	65,979
2015	4,454,001	394,584	2028	4,698,556	352,299
2016	4,307,273	352,299	2029	3,135,647	645,633
2017	4,469,019	65,979			

Insurance expenses, which are not included in the above table, average US\$470,585 per year from 2005 through 2029, according to projections prepared by the Concessionaire's management.

THE CORREDOR SUR

Description of the Toll Road

The MOP awarded the Concession to ICA Panama to study, design, construct, operate and maintain a 19.76 km four lane urban toll road in Panama City. The design and construction of the first segment of the toll road, the Tocumen-Costa del Este section, opened in June 1999 and the final segment opened in February 2000. The toll road, known as the Corredor Sur, has been fully operational since February 29, 2000. The Corredor Sur runs in a north-east/south-west direction along the coast, connecting the western sector of Panama City (Paitilla), which includes the main business and financial district of Panama City, and the eastern sector (Tocumen), which includes suburban areas, the Tocumen International Airport and the Pan American Highway. The Corredor Sur was conceived to alleviate severe congestion experienced within the existing road network, allowing users to travel between Tocumen International Airport and the central business district in Panama City in 15 to 20 minutes as opposed to an hour during peak travel hours and about 40 minutes during off-peak travel hours.

The toll road is composed of three principal sections: a 13.5 km segment running from Tocumen to Costa del Este over land, a 3.3 km marine viaduct between Costa del Este and Atlapa, and a 2.96 km segment including an overseas causeway within the urban sector running from Atlapa to Paitilla. When traveling on the toll road from east to west (Tocumen to Paitilla), there are nine access points to the toll road and nine exit points. When traveling from west to east (Paitilla to Tocumen), there are eight access points to the toll road and eight exit points. The locations of the nine total interchanges/access points are shown on the map included elsewhere in this offering memorandum. During the year ended December 31, 2004, the Concessionaire generated toll revenues of US\$17,074,696 from an average of 46,754 vehicles per day traveling on the Corredor Sur.

Design and Technical Aspects of the Toll Road

Mainline and Interchanges. The toll road comprises 19.76 km of roadway and a total of nine entry and nine exit interchanges when traveling from east to west (Tocumen to Paitilla). The toll road was built for speeds of up to 110 km/hr. It has two 3.5 meter-wide travel lanes in each direction, divided by a 10 meter-wide central isle between the Hipódromo and Tocumen interchanges and a 2.0 meter-wide New Jersey-type barrier between the Paitilla and Hipódromo interchanges, all with 2.5 meter-wide shoulders on both sides. The design of the toll road and interchanges meets both local standards and the standards of the American Association of State Highway and Transportation Officials.

Oversea Causeway. A 2.96 km long section of the toll road located between Atlapa and Paitilla is located over a causeway that is placed within shallow marine reclamation areas along the shoreline. The core of the causeway structure was constructed using rock and soil fill.

Marine Viaduct. A 3.3 km long section of the toll road is located between Costa del Este and Atlapa, which includes a 2.4 km bridge structure supported by a deep foundation consisting of piles that are cast in place and extend down to the bedrock built for this marine section of the toll road that crosses deeper water.

Drainage and Hydraulic Structures. The road over the land section of the Corredor Sur incorporates culverts where the road crosses minor streams. The design of the hydraulic structures and the size of the drainage works is appropriate to withstand 50 to 100 years of precipitation.

Pavement. The highway is an unreinforced jointed concrete pavement, constructed mainly on an embankment over ground conditions of variable quality which include approximately 9.5 km of road in total that passes over landfills, swamps and mangroves. The pavement construction is made up of a 21 meter-wide section of 250 millimeter pavement-quality concrete over 200 millimeter of stabilized sub-base. The underlying sub-base is graded crushed basalt stabilized by the addition of 3% to 5% of cement.

Toll Facilities. The toll collection system was designed with sufficient capacity so that significant delays would not occur at the toll booths. Toll booths are located near to the entry and exit interchanges and at strategic junctions. The Concessionaire plans to construct seven additional toll booths in the future, consisting of five to be built in 2005-2006 and two additional booths to be built thereafter, in each case to the extent warranted by increased traffic volume, in order to reduce vehicle congestion at toll booths during times of peak usage at certain locations.

New Developments in the Corredor Sur's Area of Influence

Construction at a number of major real estate development sites along the Corredor Sur either has already taken place or is expected shortly:

- At the former Paitilla Airport and the neighboring marine reclamation areas, the construction of a hospital, shopping mall and high-rise residential condominiums is nearing completion.
- At Costa del Este, some middle-to-high-income housing and commercial development is already in place with further residential and commercial developments under construction. The Corredor Sur serves Costa del Este particularly well as it is located to the south of the toll road and therefore further from possible alternative routes in either direction.
- Further east along the toll road, closer to the Tocumen International Airport, developments are also underway, including the expansion of the airport itself where passenger numbers are increasing.

The Concessionaire believes that the presence of the toll road is likely to accelerate the development along the Corredor Sur, which it expects, in turn, to positively affect the volume of traffic on the Corredor Sur.

Toll Revenues

Overview

Toll revenues have increased steadily since the final segment of the Corredor Sur opened in February 2000. A journey along the entire length of the Corredor Sur by automobile currently costs US\$2.40 or US\$0.12 per km with the applicable total depending on the distance traveled along the Corredor Sur. Commercial trucks, trucks with trailers and buses have separate rates, which for buses are about 1.7 times the toll rate for automobiles and for commercial trucks and trailers 2.5 times the toll rate for automobiles. The following table sets forth the current toll rates:

<u>Vehicle Class</u>	<u>Description</u>	<u>Toll Rate (US\$)*</u>
A	Automobiles, motorcycles and pick-ups	0.12
B	Buses	0.21
C	Trucks	0.31
D	Trucks with trailers	0.31

*Average toll rate per kilometer, assuming complete journey of 19.76 km.

Tolls for the entire length of the Corredor Sur are US\$4.15 for buses and US\$6.05 for commercial trucks. In 2004, 90.3% of toll revenues were derived from automobiles, with buses contributing 6.6% and commercial trucks 3.1%. Governmental officials and other entities, as determined by the Council of Ministers, are exempt from paying Tolls when traveling on the Corredor Sur. For the year ended December 31, 2004, toll revenues were US\$17,074,696.

The following table sets forth information for traffic volume and toll revenues in 2004:

	Traffic volume (vehicles)	Percentage of volume	Revenues in US \$	Percentage of revenues
Automobiles	16,321,548	93.7%	US\$15,421,991	90.3%
Buses	561,518	3.2%	1,128,913	6.6%
Trucks and trucks with trailers	229,261	1.3%	523,792	3.1%
Exempt Vehicles.....	301,230	1.7%	--	--
Total.....	17,413,557	100.0%	US\$17,074,696	100.0%

Toll Increases

Throughout the operation of the Concession, the Concessionaire is authorized to increase Tolls annually to reflect Panamanian inflation, or more frequently when the inflation level in Panama increases by 5% or more compared to the most recent toll rate increase. Prior to the implementation of a toll increase based on an increase in inflation, the Concessionaire must submit its calculations reflecting inflationary increases to the MOP for verification. In addition, commencing in the fourth year of the Concession's operations, the Concession Contract entitles the Concessionaire to increase toll rates by 25% in real terms per year through the ninth year of the Concession's operation (May 2008) without consent or verification by the MOP. However, toll rates can be reviewed and/or modified whenever the Concessionaire deems necessary so long as it receives the approval of the MOP and the Council of Ministers.

On June 29, 2002, the Concessionaire implemented the first toll increase of 26.3%, which combined an increase in real toll rates by 25% with an inflation adjustment of 1.3%. As a result, total revenues for 2002 increased by 7.2% compared to 2001 despite a significant reduction in traffic volume of 12.5% over the following 12-month period. According to the Independent Traffic Study, although the Tolls collected per vehicle increased, this increase was less than the increase in toll rates.

In June 2004, in accordance with the Concession Contract, the Concessionaire adjusted toll rates applicable to Class A vehicles (passenger cars), while Tolls applicable to all other classes of vehicles remaining unchanged. The June 2004 toll rate adjustment consisted of reducing the difference in rates charged at toll booths located close to each other in order to encourage users to travel longer distances on the Corredor Sur as opposed to exiting the Corredor Sur to take advantage of a lower toll. Also, as part of this rate change, toll rates were reduced at certain toll booths where traffic levels had not shown increases in use. In 2004, toll revenues increased by 11.5% as compared to 2003. This rate of growth primarily reflects the toll adjustment for Class A vehicles effected on June 25, 2004 and an 8.7% increase in total traffic volume on the Corredor Sur compared to 2003. The Concessionaire believes that the implementation of toll rate increases tailored to its specific observations about traffic patterns and volume on the Corredor Sur will optimize revenues. Accordingly, the Concessionaire plans to continue to selectively increase toll rates at certain toll stations as it deems appropriate.

Traffic Volume

Following an initial ramp-up period of about eighteen months, traffic volume increased by 1% during the second half of 2001 compared to the same period in 2000. During the first half of 2002, traffic volume increased by 4.3% compared to the same period in 2001. During the second half of 2002, following the implementation of the first toll rate increase, traffic volume declined by 11%. A decline in such volume had been expected. Since July 2003, traffic growth has been strong and accelerating. As of December 2004, the average tolled traffic per day was

approximately 46,754 vehicles. Future traffic levels on the Corredor Sur are dependent upon traffic growth, the capacity of the Corredor Sur, toll rates and toll collection systems, including future construction of additional toll booths among other factors. Traffic growth on the Corredor Sur was 8.7% in 2004 when compared to traffic volume during 2003.

As demonstrated by the decline in traffic volume following the June 2002 toll increases, future non-differentiated increases in toll rates may cause total revenues to increase, but at the same time cause drivers to elect to travel less on the Corredor Sur, thereby decreasing traffic volume over time. According to the Independent Traffic Study, the Concessionaire can optimize revenues and capacities on the Corredor Sur in the future by implementing an electronic toll collection, which will improve the current open system by providing the opportunity to use a pre-paid swipe card, in combination with implementing a differentiated toll rate increase similar to that adopted in 2004.

The following table sets forth the actual traffic volume on the Corredor Sur for the periods indicated:

Volume	2000	% of Volume	2001	% of Volume	2002	% of Volume	2003	% of Volume	2004	% of Volume
January	931,258	6.0%	1,342,359	8.0%	1,363,566	8.4%	1,152,889	7.3%	1,302,060	7.5%
February	998,020	6.4%	1,166,525	6.9%	1,220,505	7.5%	1,110,884	7.1%	1,158,103	6.8%
March.....	1,185,898	7.6%	1,488,805	8.9%	1,493,606	9.2%	1,154,688	7.3%	1,464,281	8.6%
April.....	1,173,714	7.6%	1,312,539	7.8%	1,486,397	9.2%	1,206,835	7.7%	1,401,350	8.2%
May.....	1,295,792	8.4%	1,392,721	8.3%	1,494,836	9.2%	1,323,773	8.4%	1,430,164	8.4%
June.....	1,301,108	8.4%	1,397,798	8.3%	1,391,567	8.6%	1,312,321	8.3%	1,429,266	8.4%
July	1,373,206	8.8%	1,366,270	8.1%	1,218,414	7.5%	1,332,660	8.5%	1,410,728	8.2%
August	1,447,790	9.3%	1,477,900	8.8%	1,320,964	8.1%	1,407,163	8.9%	1,457,639	8.5%
September.....	1,400,548	9.0%	1,310,038	7.8%	1,220,233	7.5%	1,312,932	8.3%	1,440,476	8.4%
October.....	1,468,640	9.5%	1,482,221	8.8%	1,316,815	8.1%	1,480,592	9.4%	1,523,266	8.9%
November.....	1,293,904	8.3%	1,428,047	8.5%	1,251,606	7.7%	1,368,479	8.7%	1,356,958	7.9%
December	1,647,737	10.7%	1,654,645	9.8%	1,433,105	9.0%	1,586,729	10.1%	1,738,036	10.2%
Total.....	15,517,615	100.0%	16,819,868	100.0%	16,211,614	100.0%	15,749,945	100.0%	17,112,327	100.0%

Volume	2000	growth	2001	growth	2002	growth	2003	growth	2004	growth
January – June ...	6,885,790	--	8,100,747	7.6%	8,450,477	4.3%	7,261,390	(14.1)%	8,185,224	2.7%
July – December .	8,631,825	--	8,719,121	0.0%	7,761,137	(11.0)%	8,488,555	9.4%	8,927,103	0.2%
Annual growth (decrease).....	--	--	--	8.4%	--	(3.6)%	--	(2.8)%	--	8.7%

Seasonality

Traffic patterns on major highways are affected by seasonal variations in demand. Based on the actual percentages of monthly traffic volume for the years 2000 through 2003, the Independent Traffic Study determined that December is the busiest month on the Corredor Sur with generally just over 10% of annual traffic, and January and February are the least busy at around 7% of annual traffic volume (although the changes between months over the year are significant due to simultaneous annual growth in the economy).

Toll Collection

The Corredor Sur operates on an open toll system, with toll plazas at all access points in the Atlapa and Ciudad Radial intersections and roads joining/leaving the road from/to the east at Costa del Este and Hipódromo. Tolls are collected manually and through pre-paid swipe cards through forty-two toll booths along the Corredor Sur. There are seven automatic toll booths at Atlapa and Ciudad Radial reserved for drivers with pre-paid swipe cards, and at all other toll plazas these drivers can use their cards through an automatic reader. No discount is offered for

pre-paying the Tolls, and the initial card can be purchased for US\$4.50. The value on the cards can be renewed or increased at the manned toll booths. During 2004, approximately 20% of drivers used the pre-pay system.

The Concessionaire believes the construction of additional toll booths at certain exit points will reduce vehicle congestion at toll booths during peak times of travel. The Concessionaire intends to construct seven additional toll booths in the future, as demand continues to grow. In addition, the Concessionaire believes that the implementation of an electronic toll collection system is an effective way to increase capacity at toll plazas. The Concessionaire is evaluating the cost and timing of adopting an electronic toll collection system in the future if traffic volume continues to increase rapidly.

Exempt Vehicles

Certain government and non-government entities as determined by the Council of Ministers are exempt from paying Tolls when traveling on the Corredor Sur, including vehicles in connection with the police department, the fire department and the MOP, among others. Management indicates that for each of the years 2000 through 2004, toll exempt operations comprised less than 2% of the Corredor Sur's total annual traffic volume.

Competition

Toll-free secondary roads run parallel to and compete with the Corredor Sur. The main east-west toll-free road is Avenida Domingo Diaz, which splits into Avenida Domingo Diaz and Avenida José Agustín Arango (becoming Avenida España further west). Both of these four-lane roads experience significant traffic congestion, particularly at peak times. To address this congestion, Avenida José Agustín Arango operates three lanes westbound (*i.e.*, toward Paitilla, or Panama City's central business district) between certain points from 6:00 AM to 9:00 AM on weekdays. Avenida Via Israel is another four-lane road that operates one way westbound during morning peak hours. Avenida Santa Elena is a two-way, two lane road except when it functions as a one-way road westbound during morning peak hours and as a one way road eastbound during evening peak hours.

The Corredor Norte, a toll road running along the northern fringes of the Panama City metropolitan area, will also eventually provide a parallel route to the Corredor Sur close to Tocumen. The Corredor Norte is already partially operational, but it does not yet extend as far east as Tocumen. The Concessionaire does not expect that the Corredor Norte will be completed within the next five years. Upon its completion, however, the Corredor Norte could attract a portion of the Corredor Sur's traffic.

Operation and Maintenance of the Toll Road

The Operator

The Operator, was incorporated on October 26, 1998 under Panamanian law and currently has 178 employees. The Operator is a wholly-owned subsidiary of ICATECH. The Operator obtains much of its experience and expertise from its affiliate, Maxipistas, S.A., which is also an indirect wholly owned subsidiary of Empresas ICA. Since its creation in 1991, Maxipistas, S.A. has operated a total of over 1,000 km of toll roads with annual average traffic volume of 88.4 million vehicles, including six toll roads and one tunnel in Mexico and a toll road in Venezuela.

The Concessionaire entered into the O&M Agreement with the Operator on September 6, 1999. The Operator is responsible for the operation, management and maintenance of the Corredor Sur throughout the Concession period in accordance with the terms and conditions of the Concession Contract. Under the terms of the O&M Agreement, the Operator assists users of the Corredor Sur, including providing tow truck and ambulance services; coordinates with authorities regarding road safety and the safety of drivers, traffic control, emergencies and other matters; maintains and administers the toll road; monitors performance under the Ancillary Service Agreements and receives payments in connection therewith; provides for private security along the entire toll road and the offices; and performs routine and major maintenance activities under the supervision of the MOP.

As of May 12, 2005, the O&M Agreement has been amended to reflect certain objective standards by which the performance of the Operator can be measured. The overall performance of the Operator in connection with the operation of the Corredor Sur will be rated based on its performance in adhering to certain objective standards in the following areas, among others:

- Collection of Tolls from users;
- Supervision and collection of the activities concerning ancillary services;
- Deposit of monies collected;
- Capacity and revenue reporting;
- Maintenance of the vehicle registration system; and
- Security in the facilities.

The overall performance of the Operator in connection with minor maintenance will be rated based on its performance in adhering to certain objective standards in the following areas, among others:

- Cleaning of surfaces, including bridges and junctions;
- Replacement of metallic railing, including reflecting brackets, following traffic accidents;
- Cleaning of drainage works;
- Grass mowing and cleaning of road ditches in rights of way and junctions;
- Replacement and repair of right of way fencing following traffic accidents;
- Maintenance of electric plants and hydropneumatic equipment; and
- Maintenance of signals.

Projected Minor Maintenance and Major Maintenance Costs

The Concessionaire has established a budget of projected minor maintenance and major maintenance costs throughout the Concession period. The Concessionaire's management believes that these projected costs can be summarized as follows:

	<u>Budget for 2005</u>	<u>Average per annum (2005 to 2029)</u>
	(in US\$)	
Minor maintenance costs	970,512	1,093,966
Operational costs	2,145,224	2,230,970
Administrative expenses	1,016,554	1,082,673
Total	<u>4,132,290</u>	<u>4,407,609</u>
Insurance.....	422,123	460,738
Major maintenance costs	1,567,235	326,891

The operational costs set forth above represent payments made to the Operator pursuant to the O&M Agreement.

The Concessionaire's management believes that average annual operations, minor maintenance and administrative costs will be approximately US\$4.4 million for the period from 2005 through 2029, which amount is to be adjusted annually to account for inflation in Panama.

The major maintenance items of the Corredor Sur include the repair of the concrete overlay to the roadway, regulation of the pavement surface with asphalt in areas of settlement, replacement of and injection in paving stones, repairs of cracks, joint repair and sealing, repair of surface texture, anti-corrosive treatment of bridges, maintenance of the main drainage channels, replacement of traffic signs, mileage posts, reflective lane markers, right-of-way fencing and reflective material in side railings and center dividers, repair of road markings, replacement of reflective road studs and topography surveys to monitor settlement.

As of December 31, 2004, the aggregate major maintenance costs estimated for the remainder of the Concession are US\$8,172,277. The Independent Traffic Study concluded that the Concessionaire's budget of projected maintenance costs was reasonable and adequate, allowing the Concessionaire some flexibility in targeting key activities in its maintenance plan.

Vehicle Registration System

A system of vehicle registration has been established to allow the Operator to measure and control the traffic volume on the toll road. The vehicle registration system enables the Operator to count the number of vehicles traveling through the Corredor Sur, classifying vehicles according to type and recording the booth and lane where they paid their Tolls, the date and time when they paid and the means of payment used. This information is used to build a database, which also operates as an auditing tool by reporting any difference between the identification of vehicle type made by the system and the amount charged by the toll booth operator. The system's hardware and software integrates data and video, with magnetic sensors connected to an encrypted network linked by Asymmetric Digital Subscriber Line transmission technology. The system is stable and secure since it backs up its data electronically and is powered by uninterruptible power sources and automated power plants. This system can be upgraded in accordance with technological developments.

Independent Traffic Study

Merrill Lynch retained Halcrow to provide an independent assessment of the Corredor Sur's likely future traffic and revenue streams and an opinion on the condition of the Corredor Sur and likely future maintenance requirements. The Independent Traffic Study, undertaken over a three-week period, was completed in October 2004 and provides an assessment of future toll revenues and maintenance cost streams based on an examination of existing information and an inspection of the Corredor Sur and surrounding areas. The Independent Traffic Study is included in this offering memorandum as Annex B. Halcrow has prepared the Independent Traffic Study upon the authority of such firm as a traffic consultant. The Independent Traffic Study should be read in its entirety by prospective investors for the information contained therein with respect to the Corredor Sur and other related matters.

As part of the Independent Traffic Study, Halcrow provided forecasts for the Corredor Sur's traffic and toll revenues based on an analysis of the following factors: economic and population growth in the city and corridor, an increase in car ownership, new developments in the corridor, existing highway networks and transit services, the response to increases in toll rates and the capacity of the toll road. On this basis, the Independent Traffic Study provided three forecasts of annual toll revenues of the Corredor Sur: a base case assuming toll increases of 25% in real terms in July 2005 and July 2007 with background traffic declining at 1% *per annum* from 2006; a no toll increase case assuming background traffic declining at 1% *per annum* from 2006; and an optimistic case assuming two 25% toll increases in real terms and with background traffic declining at 0.5% *per annum* from 2006. The base case forecast shows annual toll revenues reaching approximately \$34.9 million in 2029, a 2.9% average annual increase in revenues from 2004. The no toll increase forecast shows annual toll revenues of approximately \$28.9 million in 2029, a 2.1% average annual increase in revenues from 2004. The optimistic forecast projects higher growth in revenues.

Halcrow concluded that the "base case" scenario of increasing Tolls by two 25% increments by 2008 is the optimum policy in terms of maximizing revenues. Before 2010 and excluding the effects of the different traffic

growth rates assumed for the Corredor Sur, Halcrow did not project revenues being greatly different among the three different scenarios. However, in the “base case” scenario, increases in Tolls would assist in constraining traffic volumes to within the capacity of the Corredor Sur in the future, while allowing significantly higher revenues to be generated after 2010.

Generally, the Independent Traffic Study conducted by Halcrow was made using various analytical methodologies and assumptions. The forecasts and conclusions contained therein are inherently subject to unpredictable factors, including, among others, the level of background traffic growth, the development of (or lack of) transport infrastructure, socio-economic issues, the increase or stability of toll rates, and drivers’ response to toll increases. Even if such assumptions and methodologies are accurate, the actual traffic volumes and patterns may differ materially from those expressed or implied in the Independent Traffic Study. Accordingly, investors are urged not to place undue reliance on the Independent Traffic Study conducted by Halcrow, which is attached hereto as Annex B.

According to the Independent Traffic Study, the key risks to these forecasts are the rate of background traffic growth, the development of certain new transport infrastructure such as the Corredor Norte extension, an economic recession in Panama and a response by drivers to toll increases that is different from their response to the June 2002 toll increase.

Among the conclusions of the Independent Traffic Study with respect to traffic and Tolls were the following:

- Traffic growth on Corredor Sur is high at present (an average of 8% *per annum* since 2000 excluding the effect of toll increases) but may be constrained in the future by the capacity in the morning peak usage of the Atlapa – Costa del Este bridge and the associated toll plazas dealing with this traffic, as well as by traffic congestion in the city center and on other roads along the corridor. Future growth in Corredor Sur’s traffic can be expected to decline towards the rate, experienced in the general corridor of traffic routes that parallel the Corredor Sur, of 2% *per annum* as its traffic will be constrained by access and egress difficulties.
- Tolls can be increased by 25% *per annum* in accordance with the Concession Contract, but Tolls are already relatively high (by comparison with other toll roads in North, Central and South America and similar toll roads in Europe) and there was considerable consumer resistance to the June 2002 increases such that the extra revenue generated appears to have been modest.

The forecasts and conclusions of the Independent Traffic Study are inherently subject to unpredictable factors. Even if the assumptions and methodologies in the Independent Traffic Study are accurate, the actual traffic volumes and patterns may differ materially from those expressed or implied in the Independent Traffic Study. Accordingly, investors are urged not to place undue reliance on the Independent Traffic Study.

Ancillary Service Agreements

In addition to toll revenues, the Concession Contract allows the Concessionaire to exploit the rights to designated segments within the Concession area. The Concessionaire has entered into Ancillary Service Agreements with two different entities: Publitop de Panamá, S.A. and the Shell Company. Publitop de Panamá, S.A. has contracted for the right to display advertising signs along the rights of way of the Corredor Sur. The monthly fee paid to the Concessionaire under this contract, which runs through the expiration of the Concession, is approximately US\$15,000. The Shell Company has contracted to provide two gas stations with an automobile repair shop and a convenience store. The contract, which expires June 6, 2026, has a monthly fee paid to the Concessionaire of approximately US\$7,000. The Concessionaire had revenues of US\$283,614 in 2004 from Ancillary Service Agreements.

Legal Proceedings

Marine Reclamation Rights Suit. On December 30, 2004, in response to a claim brought by a private citizen, the Supreme Court of Panama declared unconstitutional the final phrase and paragraph of Article 2 of Law No. 5 of 1988. Specifically, the court ruled that under the Panamanian Constitution, the sea and seabed are part of the State, open to public use, and therefore cannot be privately appropriated. Under the Concession Contract, the Concessionaire was granted the right to create an additional 35 hectares of land by filling the shallow marine area located between the former Paitilla Airport and the Atlapa Convention Center for development and commercialization. The Supreme Court's ruling will prevent the Concessionaire from reclaiming the remainder of the marine reclamation areas to be conveyed to the Concessionaire under the Concession Contract and any related indemnification rights. As of March 31, 2005, 11.6 hectares remain to be conveyed to the Concessionaire out of 35 hectares of fill-in rights granted to the Concessionaire as part of the Concession. The Concessionaire believes that the impact of this ruling does not apply retroactively and the MOP is obligated to find alternative means of compensating the Concessionaire for the portion of the land that was to be created through marine reclamation.

Unconstitutionality Claim. On April 25, 2005, the Supreme Court of Panama received a claim, filed by the same private citizen who brought the claim described in the preceding paragraph, requesting that certain provisions of the Concession Contract relating to the transfer of real estate and marine fill-in rights by the Panamanian government to the Concessionaire be declared unconstitutional. The citizen claims that the grant to the Concessionaire by the Panamanian government of the 29.5 hectares comprising the former Paitilla Airport and the 35 hectares of marine fill-in rights located between the former Paitilla Airport and the Atlapa Convention Center was unconstitutional and that such areas should not be appropriated for private use. The claimant requests that the Supreme Court of Panama rule that such provisions of the Concession Contract are unconstitutional and that such ruling be given retroactive effect with respect to such transfers. The Concessionaire believes that, in accordance with the Panama judicial code and the preponderance of prior decisions of the Supreme Court of Panama, any such ruling should not apply retroactively. In the event of any adverse ruling that applies retroactively, the Panama civil code provides that third party transferees of property acquired in good faith from sellers with registered title which does not appear defective based on information recorded with the land registry may not have their title declared null and, therefore, such transferees would not suffer any damages attributable to the Concessionaire. The transfers from the Panamanian government to the Concessionaire and from the Concessionaire to the third party purchasers have been duly recorded in the appropriate land registry.

Additional Investments and Land Transfer Arbitration. In December 2003, the Concessionaire filed a complaint against the Panamanian government through the Conciliation and Arbitration Center of Panama relating to changes to the original project that were requested by the MOP and performed by the Concessionaire, requiring the Concessionaire to make additional investment and 4.1 hectares of land not yet conveyed to the Concessionaire by the Panamanian government that form part of the area now occupied by the Corredor Sur itself. This discrepancy results from an alteration of the original outline of the Corredor Sur made at the request of the MOP. In its claim, the Concessionaire requested that the Panamanian government compensate the Concessionaire in respect of additional investments, disbursements and land not transferred and comply with its unperformed obligations relating to the construction phase of the Corredor Sur. In July 2004, the arbitration tribunal issued its decision, concluding the arbitration proceeding and ordering the Panamanian government to pay the Concessionaire US\$17,133,924 in principal, which was comprised of different components each with its own monetary value, plus accrued interest from as far back as 1997 through July 14, 2004 in the amount of US\$7,919,314. As of December 31, 2004, the amount that the Panamanian government is required to pay the Concessionaire, including interest, was US\$25,771,455. The Panamanian government has not notified the Concessionaire of the payment date, but interest will continue to accrue until the amount is paid.

Caja de Seguro Social Lawsuit. Caja de Seguro Social (Panama's social security agency, or the "CSS"), filed a lawsuit in April 2000 demanding approximately US\$12.3 million from the Concessionaire. The CSS alleged that during the construction of the Corredor Sur, a tract of real property belonging to the CSS was in part appropriated and the remainder rendered unusable. In January 2003, the court ordered the Concessionaire to pay to the CSS approximately US\$7.7 million. The Concessionaire appealed this decision in March 2003 in superior court. The superior court can amend, confirm or revoke the sentence, and a decision is expected in 2005. The

Concessionaire has not made any additional provision relating to this claim in its financial statements beyond a provision for US\$371,617 corresponding to the estimated value of the appropriated lands. If the final ruling should be unfavorable to the Concessionaire, the Concession Contract establishes that any amount that exceeds approximately US\$17.8 million duly sustained and approved by the Panamanian government will be considered part of the Concessionaire's investment and will be recovered through the grant of additional marine fill-in rights to the Concessionaire. However, due to the recent decision of the Supreme Court of Panama that the Concessionaire may not receive additional marine reclamation rights, there can be no assurance as to the amount or form of compensation that the Concessionaire would receive. The Concessionaire believes that the MOP is obligated to find alternative means of compensating the Concessionaire for this indemnity obligation.

Banco Hipotecario Nacional Lawsuit. Banco Hipotecario Nacional (Panama's national mortgage bank, or "BHN"), filed a lawsuit in December 2003 against the Concessionaire demanding approximately US\$2.5 million. BHN claims that certain of its real property was appropriated and rendered unusable during the construction of the Corredor Sur. BHN also claims that a housing development located on the property was affected, allegedly causing BHN to indemnify a third party. The Concessionaire has not been served with process in respect of these claims. The Concessionaire has established a provision for approximately US\$150,000 based on the Concessionaire's estimate of the value of the property allegedly appropriated. In the event of an adverse ruling, the Concession Contract establishes that any amount payable by the Concessionaire for land indemnities in excess of approximately US\$17.8 million duly sustained and approved by the Panamanian government will be considered part of the Concessionaire's investment and will be recovered through the grant of additional marine fill-in rights. However, due to the December 2004 decision of the Supreme Court of Panama relating to marine fill-in rights, there can be no assurance as to the amount or form of compensation that the Concessionaire would receive. The Concessionaire believes that the MOP is obligated to find alternative means of compensating the Concessionaire for this indemnity obligation.

Indemnification Under the Concession Contract. Under the Concession Contract, the Concessionaire has assumed the obligation to make payments required to be made by the Panamanian government for the acquisition of privately owned land required for the implementation of the Concession, in an amount up to US\$17.8 million. The Concession Contract also provides that any amounts paid by the Concessionaire in excess of that amount that are approved by the Panamanian government will be considered part of the Concessionaire's investment and will be recovered through the grant of additional marine fill-in rights to the Concessionaire. As of December 31, 2004, the Concessionaire has paid an aggregate amount of approximately US\$20.3 million, and the estimated amount required to be paid by the Concessionaire as of the year ended December 31, 2004 was an additional US\$7.4 million, subject to approval by the Panamanian government, consisting of (i) US\$1.4 million relating to 39 pending cases involving requests for authorization from the Panamanian government as to the appropriate indemnity value for land acquired from owners in connection with the right-of-way for the Corredor Sur and (ii) US\$6.0 million corresponding to 14 cases in which the Concessionaire had requested the Panamanian government appropriate the land for reasons of urgent social interest. In certain cases where the land was appropriated for reasons of urgent social interest, the affected owners have not reached an agreement regarding the indemnity amount. Due to the recent decision of the Supreme Court of Panama that the Concessionaire may not receive additional marine reclamation rights, there can be no assurance as to the amount or form of compensation that the Concessionaire will receive for the amounts paid by the Concessionaire in excess of the US\$17.8 million the Concessionaire is required to assume under the Concession Contract.

Certain Legal Actions. In November 1999, certain residents of a neighborhood along the Corredor Sur filed an administrative petition asserting that the Concessionaire concealed assets worth at least US\$56 million from the Panamanian government. The claimants allege that this amount represents what the Concessionaire will obtain in excess of the profits to which the Concessionaire is entitled under the Concession Contract. In August 2004, the *Ministerio de Economía y Finanzas* (Ministry of Economy and Finance) of Panama resolved that there had been no concealed assets. Once the claimants have been officially notified of this resolution, they may ask the Ministry of Economy and Finance to reconsider its decision or appeal. In the opinion of counsel for the Concessionaire, Galindo, Arias & López, an outcome favorable to the Concessionaire is likely in the event the claimants petition such reconsideration or appeal. The Concessionaire has not made any provisions related to these claims in its financial statements.

In February 2000, an administrative petition was filed against the Concessionaire asserting that the Concessionaire concealed a gain worth approximately US\$8.7 million from the Panamanian government, allegedly due to a discrepancy between the construction costs for the extension of the Corredor Sur as established in the bid for the Concession and the actual cost of the extension and the value of the land transferred to the Concessionaire under the Concession Contract. In August 2004, the Ministry of the Economy and Finance rejected the claimants' request to present additional evidence. The Ministry of the Economy and Finance is expected to rule on the grounds of the petition in mid-2005. The Concessionaire believes that there are grounds for rejection of the petition by the Ministry of the Economy and Finance. Consequently, the Concessionaire has made no provision for this petition in the accompanying financial statements.

A civil suit was filed in January 2000 by certain residents of neighborhoods along the Corredor Sur against the Concessionaire, demanding US\$30 million to compensate for alleged material and psychological damages caused by the construction of the Corredor Sur. Following the Concessionaire's request, the court decided to include the MOP in the action. In July 2001, the court called for the presentation of evidence. Both parties submitted evidence, and the judge has yet to rule on certain objections related to the admissibility of the evidence presented. ICA Panama has also filed a motion to dismiss. No ruling has been issued on this motion. The Concessionaire intends to vigorously defend itself against this lawsuit. The Concessionaire has not made any provision for any liability related to the action in its financial statements.

In January 2003, *Cooperativa de Trabajadores y Expendio de Alimentos Sammy R.L.* filed a suit to recover approximately US\$1.6 million in damages for alleged losses, lost profits and psychological harm caused by the closing of a restaurant due to the expropriation of its property by the Panamanian government, at the request of the Concessionaire. The trial is in the evidence-gathering phase. The Concessionaire expects a decision in the trial during 2005. The Concessionaire has requested that the Panamanian government be included in the claim. The Concessionaire has not made any provision for any liability related to the action in its financial statements because it is expected that the Panamanian government would assume any penalties assessed or reimburse such penalties to the Concessionaire in the event of a negative ruling.

In September 2000, an individual filed a claim against the Concessionaire and the Operator demanding approximately US\$1.1 million for alleged damages resulting from an automobile accident that occurred on March 12, 2000. A decision is expected in 2005. The Concessionaire has not made any provision for any liability related to the action in its financial statements.

Environmental Administrative Inquiry. In January 2005, a private citizen filed a claim before the Panamanian *Autoridad Nacional del Ambiente* (National Environmental Authority, or "ANAM") against the Concessionaire alleging administrative infractions under Panamanian environmental laws relating to failure to connect a waste water drainage tube that was rerouted during the relocation of the former Paitilla Airport. ANAM has ordered an administrative inquiry to determine whether an infraction has occurred and if so whether the Concessionaire was at fault. If ANAM finds that the Concessionaire was at fault, the Concessionaire could be subject to a fine and potential related civil actions for damages. The Concessionaire believes that it has not committed the alleged infraction and that any fine or civil damages related to this matter would not be in a material amount.

Environmental Matters

Pursuant to company policies and environmental laws in Panama, during the design stage and prior to the construction of the Corredor Sur, an Environmental Impact Study and Plan of Action and Environmental Management ("PAEM") were prepared and duly approved by ANAM. The PAEM contains the details of the Concessionaire's obligations in respect to preventing, mitigating and offsetting all negative impacts related to the project in the physical, biological and socioeconomic aspects, both during the construction stage and during the operation phase of the Corredor Sur. The Concessionaire believes that it is in material compliance with applicable environmental requirements as obtained by the PAEM and does not expect these requirements to result in material expenditures in the foreseeable future.

Employees

As of March 31, 2005, the Concessionaire had a total of eight permanent employees. The Concessionaire believes that relations between it and its employees are generally satisfactory. Employees are hired in accordance with the Panama Labor Code.

The Operator is responsible for the operation, management and maintenance of the Corredor Sur pursuant to the O&M Agreement.

MANAGEMENT OF THE CONCESSIONAIRE

Board of Directors

The Concessionaire is managed by its board of directors. The board of directors represents the Concessionaire for all purposes, except where expressly restricted by law or the Concessionaire's bylaws or where exclusively reserved to shareholder's meetings. The Concessionaire's articles of incorporation provide that the board of directors will consist of a minimum of three and a maximum of eleven directors, who are elected by shareholders. A majority of the board of directors may elect new members of the board of directors in order to fill any vacancies. Directors can also be removed at any time by a majority of the shareholders in accordance with the laws governing corporations in Panama. Currently, the board of directors is comprised of three members. Members of the board of directors are elected for an indefinite term. The current members of the board of directors were elected at the extraordinary shareholder's meeting held on May 28, 2003. The board of directors meets every month and more frequently when necessary.

The following are the current members of the board of directors of the Concessionaire and their respective positions:

<u>Name</u>	<u>Age</u>	<u>Position</u>
José Luis Guerrero Álvarez	61	Chairman
Alonso Quintana Kawage	31	Director
Julián Sanz Liébana	58	Director

José Luis Guerrero Álvarez has been a member of the Concessionaire's board of directors since March 1995. Mr. Guerrero is currently a member of the board of directors and the Executive Vice President and Chief Financial Officer of Empresas ICA. For the past 25 years, Mr. Guerrero has held various positions at Empresas ICA in its finance, administrative, divestment, real estate, manufacturing and business development areas. Before joining Empresas ICA, Mr. Guerrero was the Planning Director at Combinado Industrial Sahagun, the Technical Director at Roca Fosforica Mexicana and held various other positions in Mexico and abroad. Mr. Guerrero is also currently a board member at the Club Universidad Nacional, A.C. Mr. Guerrero holds an M.S. and Ph.D. in Engineering from the University of Illinois at Urbana-Champaign. He is a Mexican citizen. His e-mail address is jose.guerrero@ica.com.mx.

Alonso Quintana Kawage has been a member of the Concessionaire's board of directors since March 2005. Mr. Quintana has also been the President of the Concessionaire since March 2005. Mr. Quintana is currently the Managing Director of Finance and Administration of Empresas ICA, where he has held various positions at the project management and corporate levels since 1994. Mr. Quintana is a civil engineer and received his degree from the Universidad Iberoamericana in Mexico City. Mr. Quintana also has an MBA from the Kellogg School of Management at Northwestern University. He is a Mexican citizen. His e-mail address is alonso.quintana@ica.com.mx.

Julián Sanz Liébana has been a member of the Concessionaire's board of directors since 2001. Mr. Sanz has also been the Vice President of the Concessionaire since May 2003. He has significant experience in construction and the maintenance of roadways. For the past 23 years, Mr. Sanz has held positions at the managerial level for various subsidiaries of Empresas ICA in Spain, Colombia, México and currently in Panama. Mr. Sanz is a civil construction engineer and graduated from the Universidad Complutense in Madrid, Spain with a degree in Engineering. He is a Spanish citizen. His e-mail address is jsanz@ica.com.mx.

Each of the members of the Concessionaire's board of directors can be reached through ICA Panama, S.A. at Vía Israel, Edificio Corredor Sur, Corregimiento de San Francisco, Apartado 6-2483, El Dorado, Panama, Republic of Panama. The telephone number at ICA Panama is +(507) 226-0433, and the facsimile number is +(507) 226-4036.

Executive Officers

The board of directors appoints the executive officers of the Concessionaire for an indefinite period. The executive officers are responsible for all matters concerning the Concessionaire's day-to-day management and operations. The individual responsibilities of each executive officer are established by the board of directors and the Concessionaire's bylaws.

The following are the current executive officers of the Concessionaire and their respective positions:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Alonso Quintana Kawage.....	31	President
Julián Sanz Liébana.....	58	Vice President
Alejandro Esquivel Torres.....	42	Treasurer and Administrative Manager
Hugo Agustín Arreola Plata	41	Legal Affairs Manager and Secretary

Alejandro Esquivel Torres was appointed Treasurer and Administrative Manager of the Concessionaire in May 2003. For the past 20 years, he has held various positions in the administrative field of subsidiaries of Empresas ICA. Prior to his appointment to the executive board of the Concessionaire, Mr. Esquivel was the Administrative Manager at Autopista Concesionada de Venezuela, C.A. from 2001 to 2003 and at Ingenieros Civiles Asociados, S.A. in Colombia from 1996 to 2001. Mr. Esquivel graduated from Universidad Nacional Autónoma de México with a degree in accounting. Mr. Esquivel is a Mexican citizen. His e-mail address is alejandro.esquivel@ica.com.mx.

Hugo Agustín Arreola Plata has been the Legal Affairs Manager and Secretary of the Concessionaire since 2001. Prior 2001, Mr. Arreola worked in the international legal affairs department of Empresas ICA. Mr. Arreola is an attorney with experience in arbitration and he was a law professor at the Universidad Nacional Autónoma de México Law School. He graduated from Universidad Nacional Autónoma de México with a degree in Civil Engineering and also holds a law degree from Universidad Nacional Autónoma de México. He is also a member of the Civil Engineers Association of México (*Colegio de Ingenieros Civiles de México*). Mr. Arreola is a Mexican citizen. His e-mail address is hugo.arreola@ica.com.mx.

Each of the executive officers of the Concessionaire can be reached through ICA Panama, S.A. at Via Israel, Edificio Corredor Sur, Corregimiento de San Francisco, Apartado 6-2483, El Dorado, Panama, Republic of Panama. The telephone number at ICA Panama is +(507) 226-0433, and the facsimile number is +(507) 226-4036.

The Concessionaire has no other key employees.

Executive Compensation

The members of the board of directors do not receive compensation for their services.

An executive committee of Empresas ICA determines the individual levels of compensation paid to each executive officer pursuant to its corporate governance policy. In addition to annual base compensation, such executive officers are eligible for an annual bonus, participation in a profit sharing plan and stock plan.

For the year ended December 31, 2004, the aggregate compensation that was paid to the executive officers for services in all capacities was approximately US\$456,570. This figure does not include the salary of ICA Panama's President, which is currently being paid to the President by Empresas ICA primarily in his capacity as the Managing Director of Finance and Administration of Empresas ICA. As of March 31, 2005, ICA Panama has also reserved \$28,736 with respect to pensions or other employee retirement benefits.

SHARE OWNERSHIP OF THE CONCESSIONAIRE

General

As of March 31, 2005, the issued and outstanding share capital of ICA Panama comprised of 100 ordinary shares, with total authorized capital of US\$155,268,973. All ordinary shares carry one vote per share and have a par value of US\$1,552,689.73 per share.

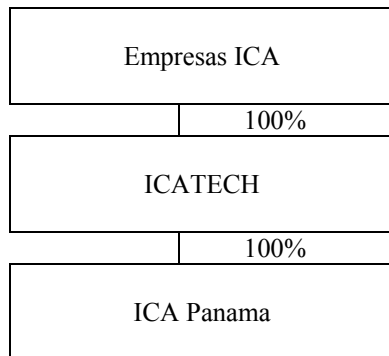
The following table sets forth information concerning the shareholder of ICA Panama's ordinary shares, the number of shares beneficially owned by it and its percentage shareholdings as of March 31, 2005.

Shareholder	As of March 31, 2005	
	Number of Shares	Percentage of Total
ICATECH ⁽¹⁾	100	100%
Total	100	100%

(1) ICATECH's shareholding in the Concessionaire will be reduced in connection with the application of proceeds from the offering of the notes. See "Use of Proceeds."

ICA Panama is a wholly owned subsidiary of ICATECH. ICATECH is a holding company, which was incorporated in 1989 under the laws of the State of Florida, United States. ICATECH is a wholly owned subsidiary of Empresas ICA.

The following chart shows the ownership structure of the Concessionaire, in accordance with the above:



Formerly Empresas ICA, Sociedad Controladora, S.A. de C.V., Empresas ICA changed its name to Empresas ICA, S.A. de C.V. as of April 21, 2005. Empresas ICA is the largest engineering, construction and procurement company in Mexico. Acting through its subsidiaries, Empresas ICA is engaged in a full range of construction and related activities, involving the construction of infrastructure facilities, as well as industrial, urban and housing construction. Empresas ICA is also engaged in the development and marketing of real estate, the construction, operation and maintenance of airports, highways, bridges and tunnels and the management and operation of water supply systems and solid waste disposal systems and automobile parking facilities, in each case under concessions granted to its subsidiaries by governmental authorities. The Corredor Sur is the largest single investment of Empresas ICA in terms of asset value. The shares and the American Depositary Shares, evidenced by American Depositary Receipts, of Empresas ICA are traded on the Mexican Stock Exchange and the New York Stock Exchange, respectively.

Share Retention and Undertakings Agreement

The Indenture Trustee, the Issuer, ICA Panama, ICATECH and Empresas ICA will enter into the Share Retention and Undertakings Agreement pursuant to which, among other things, Empresas ICA will agree to maintain ownership of not less than 51% of the total voting shares of ICATECH and ICATECH will agree to maintain ownership of not less than 100% of the total voting shares of ICA Panama until the notes and all amounts due and payable in respect of the Indenture are fully repaid. See “Description of Transaction Documents—Share Retention and Undertakings Agreement.”

CERTAIN TRANSACTIONS WITH RELATED PARTIES

The Concessionaire entered into the O&M Agreement on September 6, 1999, as amended on May 12, 2005, with the Operator. See “Description of Transaction Documents—Operation and Maintenance Agreement.” The Operator is responsible for the operation, management and maintenance of the Corredor Sur throughout the Concession period in accordance with the terms and conditions of the Concession Contract. See “The Corredor Sur — Operation and Maintenance of the Toll Road.” The Concessionaire paid the Operator an amount of US\$2,850,468 in both 2004 and 2003 for services rendered related to the operation and maintenance of the Corredor Sur. In addition, the Concessionaire received fees for administrative services from the Operator amounting to US\$372,000 and US\$288,000 in 2004 and 2003, respectively.

The Concessionaire is also a member of a group of related companies and enters into certain transactions and business relationships with such companies. The transactions and relations with these related companies are of the same nature as the business activity of the Concessionaire. A portion of the proceeds from this offering will be used to pay all of the Concessionaire’s outstanding receivables owed to its affiliates in connection with certain transactions relating to the construction, maintenance and operation of the Corredor Sur. In addition, on April 27, 2005, ICATECH granted the Concessionaire a loan in the amount of US\$1.3 million to fund a portion of the Concessionaire’s obligations under the financial instrument described in Note 10 to the unaudited interim financial statements. This loan will be repaid by the Concessionaire with a portion of the proceeds of the offering of the notes. See “Use of Proceeds.”

THE CONCESSION

Regulatory Framework

The Concession was awarded in accordance with Law No. 5 of April 15, 1988, and the Council of Ministers approved the award of the Concession to the Concessionaire pursuant to Cabinet Resolution No. 175 of August 1, 1996. Law No. 5 of April 15, 1988 and its amendments establish and regulate the administrative concession system for the execution of works in Panama considered by the Council of Ministers to be in the public interest. These works, performed by private companies under the supervision of the MOP, include the construction, improvement, maintenance, conservation, refurbishment and operation of roads and highways in Panama. In accordance with the administrative concession system, private companies must perform all works granted under a concession at their own risk and with their own resources in exchange for the charging of Tolls.

Terms and Conditions of the Concession

General

In 1995, the Panamanian government awarded the Concessionaire the Concession, and the Panamanian government acting through the MOP and the Concessionaire entered into the Concession Contract on August 6, 1996. The Panamanian *Contraloría General de la República* (Comptroller General) authorized the Concession Contract on August 8, 1996. The Concession Contract encompasses the study, design, construction, maintenance, administration and operation of the Corredor Sur, under the administrative concession system governed by the laws of the Panama. The Concession is for a 30-year period beginning from the date on which the first section of the toll road is placed in service, or until June 26, 2029, or the date on which the Concessionaire achieves a specified return on its investment in the Concession, whichever occurs earlier, each as described more fully in this offering memorandum.

The first segment of the toll road, the Tocumen-Costa del Este section, opened in June 1999 and the final segment opened in February 2000. The early stages of construction on the Corredor Sur highway Concession were primarily financed with bridge loans that the Concessionaire guaranteed. In September 1999, the Concessionaire, through a trust, entered into a US\$70 million IFC Loan with the IFC and commercial lenders, the proceeds of which were used to refinance the outstanding bridge loans. In December 2001, the Concessionaire began to service the IFC Loan, and is current in all payments. As of March 31, 2005, US\$52,125,000 in principal of the IFC Loan remained outstanding.

The Concession Contract provides for the Concessionaire to be compensated in part by the right to retain the revenue derived from the operation of the highway and in part by the improvement and sale of certain land and marine reclamation areas received from the Panamanian government. The government does not guarantee a minimum amount of net proceeds from the improvement and sale of these properties. As of March 31, 2005, the Concessionaire had received a total of 25.4 hectares out of the 29.5 hectares of land required to be transferred to the Concessionaire pursuant to the Concession Contract, and obtained 23.4 hectares out of 35 hectares of fill-in rights granted to the Concessionaire as part of the Concession. As of March 31, 2005, the Concessionaire had sold 48.3 hectares of such land. The assets assigned by the Concessionaire to the Issuer exclude, *inter alia*, the rights to the remaining 4.1 hectares of land not conveyed to the Concessionaire and the remaining 11.6 hectares of marine fill-in rights, as well as all land and marine fill-in rights previously received. Consequently, any revenues associated with all such land and marine fill-in rights are not available to service the Issuer's obligations under the notes.

The Concession Contract is governed by the laws of Panama, and all the parties are subject to the jurisdiction of the courts of Panama. An English translation of the Concession Contract is attached hereto as Annex C.

Obligations and Rights of the Concessionaire

The Concessionaire's obligations under the Concession Contract are principally to:

- study, design, construct, maintain, administer, exploit and finance the toll road, including the marine support structure, fill-in for the road, culverts, bridges, intersections and interchanges;
- rehabilitate and improve the Albrook Airport at a cost of US\$10 million;
- manage and maintain the Corredor Sur during the entire period of the Concession; and
- comply with environmental laws.

The Concessionaire has completed the construction of the Corredor Sur, as well as the rehabilitation and improvement of the Albrook Airport.

In addition, the Concession Contract requires the Concessionaire to:

- assume payment for the acquisition of private property necessary to carry out the Concession, up to a maximum of US\$17,772,000. Any excess amounts would initially be paid by the Concessionaire who would then be compensated by the government through the granting of additional marine reclamation rights; See “The Corredor Sur—Legal Proceedings”
- ensure that at least 90% of its employees are Panamanian;
- maintain third-party liability insurance;
- allow the MOP access to the construction works on the Corredor Sur toll road for inspections; and
- maintain certain toll rates, subject to adjustments permitted under the Concession Contract and subject to approval by the MOP. See “—Toll Rates” below.

The Concessionaire has not defaulted on any of its obligations under the Concession Contract.

In return, the Concessionaire has the following principal rights under the Concession Contract:

- the right to collect Tolls from the road users during the term of the Concession;
- subject to government approval, the right to assign certain rights of the Concession to third parties, including the right to collect Tolls;
- the right to establish an administrative trust for financing purposes;
- rights to 29.5 hectares of land that comprised the former Paitilla Airport and fill-in, development and sale rights with respect to 35 hectares of marine area during the term of the Concession;
- the right of first refusal to develop ancillary services revenues along the right-of-way of the Corredor Sur;
- the right to receive indemnity in case of an administrative redemption of the Concession by the Panamanian government; and
- the right to be indemnified under certain circumstances to maintain the contractual equilibrium.

Obligations and Rights of the Panamanian Government

The construction of the Corredor Sur has been completed and approved by the Panamanian government. The Panamanian government may monitor the activities of the Concessionaire during the operation of the Concession and has the right to appoint auditors to carry out audits of the activities of the Concessionaire.

The Panamanian government also has the right to grant to a third-party reclamation rights within the same marine area as the rights granted to the Concessionaire (i.e., between Paitilla Airport and the Atlapa Convention Center) after August 8, 2011, or when 75% of the Concessionaire's land created by authorized marine reclamation rights have been sold, whichever occurs first, although the Panamanian government may not be able to grant marine fill-in rights due to the recent decision by the Supreme Court of Panama.

In addition, the government has undertaken not to authorize the concession of any competing new road within 2,000 meters from the Corredor Sur, although the government is not excluded from improving the existing road network. The only other toll road concession in Panama is the Corredor Norte concession, which was awarded in 1994.

Real Estate Components

Paitilla Airport: Following the transfer of the Paitilla Airport to Albroke, 25.4 hectares of land originally contemplated as part of the Paitilla Airport were left vacant. This land, comprising approximately 25.4 of the 29.5 hectares of land granted to the Concessionaire under the Concession Contract, was transferred to the Concessionaire free of all encumbrances as part of the Concession arrangement. Zoning of this land is for residential and commercial use. The remaining 4.1 hectares of land have not been conveyed to the Concessionaire by the Panamanian government, and the Panamanian government is required to pay the Concessionaire monetary damages as part of an arbitration award for this area. See "The Corredor Sur—Legal Proceedings." As of March 31, 2005, the Concessionaire has sold 48.3 hectares of land that was transferred to it, for net proceeds of approximately US\$71.6 million, which was applied to offset the cost of construction of the toll road.

Marine Reclamation (Punta Pacifica real estate development): In addition to the Paitilla Airport land, the government has granted the Concessionaire the right to create an additional 35 hectares of land formed by filling the shallow marine area located between the Paitilla Airport and the Atlapa Convention Center for development and commercialization. The Concessionaire has developed and intends to continue developing this site for sale as residential or commercial use together with the Paitilla Airport site. Of these 35 hectares, the Concessionaire had received 23.4 hectares as of March 31, 2005. As a result of a decision by the Supreme Court of Panama, the Concessionaire may not actually receive the remaining 11.6 hectares of marine fill-in rights that remain to be conveyed to the Concessionaire under the Concession Contract. The MOP, however, is obligated to find alternative means of compensating the Concessionaire for the portion of land that was to be created through marine reclamation.

The assets assigned to the Issuer exclude the real estate components of the Concession. Consequently, any revenues associated with such real estate components are not available to service the notes.

Acquisition of Right-of-way

The process of acquiring the right-of-way for the Corredor Sur toll road under the Concession Contract, and in accordance with the provisions of article 47 of the Panamanian Constitution and the provisions of Law No. 57 of 1946, is as follows:

- Land owners are notified by the government that their property is to be subject to acquisition;
- The Concessionaire and the landowners are responsible for negotiating the price for each property; and

- If no agreement can be reached between the Concessionaire and a landowner, the government expropriates the land and determines the compensation to be paid to the landowner.

Under the Concession Contract, the Concessionaire is required to pay for the land acquisitions in connection with the right-of-way for the Corredor Sur toll road up to a maximum of US\$17.8 million. Any amount in excess of this would initially be paid by the Concessionaire who would be compensated by the government through the granting of additional reclamation rights to marine areas. As of December 31, 2004, the Concessionaire had paid an aggregate amount of US\$20.3 million and the estimated amount required to be paid by the Concessionaire as of the year ended December 31, 2004 was an additional US\$7.4 million, subject to approval by the Panamanian government. Such additional amount relates to land used for the Corredor Sur, title to which has not yet been transferred to the Panamanian government. Due to the recent decision of the Supreme Court of Panama, the Concessionaire may not receive additional marine reclamation rights and, although ICA Panama is currently working with the MOP to find a mutually acceptable means of compensation, there can be no assurance as to the amount or form of compensation that the Concessionaire will receive for the amounts paid by the Concessionaire in excess of the US\$17.8 million pursuant to the Concession Contract. See “The Corredor Sur—Legal Proceedings.”

Toll Rates

Throughout the operation of the Concession, the Concessionaire is authorized to increase Tolls annually to reflect Panamanian inflation, or more frequently when the inflation level in Panama increases by 5% or more compared to the most recent toll rate increase. Prior to the implementation of a toll increase based on an increase in inflation, the Concessionaire must submit its calculations reflecting inflationary increases to the MOP for verification. In addition, commencing in the fourth year of the Concession’s operations, the Concession Contract entitles the Concessionaire to increase toll rates by 25% per year through the ninth year of the Concession’s operation (May 2008) without consent or verification by the MOP. However, toll rates can be reviewed and/or modified whenever the Concessionaire deems necessary so long as it receives the approval of the MOP and the Council of Ministers.

The Concessionaire’s strategy in increasing toll rates is intended to maximize toll revenues. On June 29, 2002, the Concessionaire implemented the first toll increase of 26.3%, which combined an inflation adjustment of 1.3% with a real toll increase of 25%. As a result, total revenues for 2002 increased by 7.2% compared to 2001 despite an expected 3.6% annual decrease in traffic volume. If prior to the expiration of the Concession, it is proven that toll revenues will be insufficient for the Concessionaire to obtain the total *monto recuperable* (see “Expiration and Early Termination” below), the Concessionaire may formally commence negotiations with the MOP to extend the terms of the Concession, including the extension of the period of the Concession, in order to obtain such return on the Concessionaire’s investment. For further information, see “The Corredor Sur—Toll Revenues—Overview” and the Independent Traffic Study attached as Annex B to this offering memorandum.

Contractual Equilibrium

The Concession Contract incorporates the concept of “contractual equilibrium” whereby the Concessionaire is compensated for losses arising from extraordinary or unforeseen circumstances. The project’s contractual equilibrium is defined as the financial-economic equilibrium existing at the time the Concession Contract was executed. This “equilibrium” is specified as a real rate-of-return (15.46%) in the financial proposal submitted by the Concessionaire as part of its bid documents. Under the Concession Contract, if certain circumstances occur, contractual equilibrium would be restored through the following means:

- If either (i) a law or decree is issued, or changed, which affects the Concessionaire economically or financially, or (ii) the Concessionaire suffers a delay in the work program due to the fault of the government, the Concessionaire will be entitled to increase the toll rates or, if market conditions do not permit toll rates to be increased, the Concessionaire would be granted additional reclamation rights in the area between the Paitilla Airport and the Atlapa Convention Center.
- If the Concessionaire is unable to collect Tolls, or to increase Tolls as permitted in the Concession Contract, for reasons attributable to the government, the Concessionaire would be compensated

through the granting of additional reclamation rights in the area between the Paitilla Airport and the Convention Center.

- If the works are damaged by abnormal natural conditions, by actions of the government, or by other unforeseeable causes outside the control of the Concessionaire, the parties would be required to negotiate a means of restoring the toll road to service and to agree on compensation to the Concessionaire.

If events other than the ones mentioned in the bullet points above were to occur, the Concessionaire and the Panamanian government are contractually obligated to negotiate in good faith the agreements or pacts necessary to maintain contractual equilibrium under the Concession Contract.

To date, the Concessionaire has not sought compensation for any events relating to contractual equilibrium. If the Concessionaire did attempt to seek such compensation, the outcome is uncertain. In particular, a recent decision of the Supreme Court of Panama has ruled that the Concessionaire may not receive additional marine reclamation rights. There can be no assurance as to the amount or form of compensation that the Concessionaire would receive for a claim in respect of contractual equilibrium.

Income Tax

Pursuant to the Concession Contract, the Concessionaire was exempt from the payment of income tax until June 2004. From July 2004 to June 2009, the Concessionaire will receive a 75% exemption from the payment of income tax. After June 2009 to the end of the Concession, the Concessionaire will receive a 50% exemption from the payment of income tax. In 2004, a reserve of US\$304,030 in respect of income taxes was registered, including deferred liabilities of US\$14,750.

Expiration and Early Termination

Expiration Date

The Concession expires on the earlier to occur of (i) June 26, 2029, which is the thirtieth anniversary of the date that the first completed section of the Corredor Sur toll road began operations, or (ii) the date on which the Concessionaire achieves the *monto recuperable* (See “—Expiration of the Concession Upon Receipt of *Monto Recuperable*”).

Early Termination

The government has the right to terminate the Concession prior to expiration upon:

- a default (as described below) by the Concessionaire; or
- the occurrence of an administrative redemption (as described below).

The Concession Contract provides no right of early termination by the Concessionaire.

Default by the Concessionaire. Each of the following events constitutes a default by the Concessionaire, granting the government the right of early termination under the Concession Contract:

- the Concessionaire fails to carry out the works described in the Concession Contract in the manner and under the terms agreed;
- the Concessionaire alters the purpose of the Concession Contract without approval from the MOP;
- the Concessionaire fails to carry out the purpose of the Concession Contract;

- the Concessionaire fails to conserve, maintain and repair the assets of the Concession;
- the Concessionaire fails to make the additional expansions and investments contemplated in the Concession, if any;
- the Concessionaire fails to provide the public service for which the Concession was granted;
- the Concession, or the assets associated therewith, are transferred, assigned or encumbered without authorization from the government or are used for a purpose other than the purposes set forth in the Concession Contract;
- the Concessionaire is declared bankrupt; or
- the Concessionaire proves incapable financially or technically of carrying out the Concession.

If early termination results from any of the above events, the Concessionaire is not entitled to compensation. To date, the government has not declared, or threatened to declare, a default on the part of the Concessionaire.

Third Party Rights. In accordance with Article 18 of Law No. 5 of April 15, 1988, as amended, the Panamanian government may allow the Concessionaire a reasonable cure period with respect to any default, except if the Concessionaire is declared bankrupt or proves to be incapable financially or technically of carrying out the Concession. In addition, according to Article 2 of Decree No. 22 of October 22, 1988, when a third party has acquired rights under a government concession, the MOP must give such third party written notice of any default by the relevant concessionaire. Such concessionaire would then be given a reasonable time period to cure the default, after which time the third party would have the right to assume operation of the concession in order to preserve its acquired rights under the concession. Notwithstanding the above, the Article is unclear as to whether such third party protections are to be extended in cases of default by the concessionaire by reason of bankruptcy or the concessionaire proving to be incapable financially or technically of carrying out the concession.

Administrative Redemption. In addition, the Panamanian government retains the right to declare an administrative redemption, which is the termination of the Concession for reasons of public interest. In the event that the Panamanian government declares an administrative redemption, the Concessionaire would be entitled to receive compensation equal to the net present value, as of the date of the administrative redemption, of the amount invested, by the Concessionaire in the Concession, pending amortization, plus accrued interest and the projected internal rate of return from toll revenues through the end of the Concession as if no administrative redemption had occurred.

The Concessionaire has performed calculations to determine, at various dates from December 31, 2004 through and including the stated maturity of the notes, whether the amounts that the Panamanian government would be obligated to pay in respect of an administrative redemption would be sufficient to repay amounts outstanding under the notes. According to these calculations, the Concessionaire believes that the amounts received from the Panamanian government at each such date would be sufficient for this purpose, although no assurance can be given.

To date, the Panamanian government has not declared, or to the Concessionaire's knowledge threatened to declare, an administrative redemption.

Expiration of Concession Upon Receipt of *Monto Recuperable*

The Concession Contract will automatically expire prior to the expiration date if the Concessionaire has received the *monto recuperable*. The *monto recuperable*, as set forth in the Concession Contract, is US\$306,435,181, comprised of US\$189,847,681 recoverable through net toll road collections and US\$116,587,500 recoverable through land and marine reclamation area sales net of infrastructure and sales costs, in each case expressed in October 1, 1995 dollars. The Concession Contract provides for the Concessionaire's net revenues from toll collections and land sales to be discounted to their present value as of October 1, 1995 for purposes of

determining whether the *monto recuperable* has been met. The Concessionaire does not expect that its net toll collection and/or land sales revenues will reach the total *monto recuperable* of US\$306,435,181 prior to the expiration date.

For purposes of calculating the *monto recuperable*, toll collection revenues consist of the Concessionaire's gross revenues from toll collection minus operation, maintenance and administrative costs. For purposes of determining whether the *monto recuperable* relating to toll revenues has been met, the Concessionaire calculates a cumulative amount of toll revenues since the operation of the Corredor Sur began by obtaining the sum of the net income from toll revenues for each fiscal year of operation, in each case expressed in October 1, 1995 dollars by application of a 12% annual discount rate. The Concessionaire's cumulative net income from toll collection revenues as of December 31, 2004 was US\$21,178,302, as compared to the US\$189,847,681 that is allowed to be recovered from toll collection revenues for purposes of determining the *monto recuperable* under the Concession Contract. The Concessionaire does not expect to reach the *monto recuperable* with respect to toll revenues at any time prior to the stated expiration of the Concession in 2029.

The following table shows the Concessionaire's cumulative net income from toll collection revenues since the beginning of the Concession as of each date listed, in each case discounted as discussed above for purposes of calculation of the *monto recuperable*:

	As of December 31,		
	2004	2003	2002
Cumulative net income from toll revenues (discounted for purposes of calculation of the <i>monto recuperable</i>)	US\$21,178,302	US\$17,464,335	US\$12,602,972

The Concession Contract sets forth a net income maximum *monto recuperable* of US\$116,587,500 in connection with the real estate and marine fill-in parcels that are required to be transferred to the Concessionaire pursuant to the Concession Contract. This amount is comprised of (i) US\$69.6 million relating to the 29.5 hectares comprising the area formerly occupied by the Paitilla Airport and (ii) US\$47 million relating to 35 hectares of marine area designated for fill-in located between the Atlapa Convention Center and the former Paitilla Airport site. The Concession Contract also provides that any net income from land sales realized by the Concessionaire in excess of US\$250 per square meter will be imputed as gross toll road revenues, and will therefore be included in the *monto recuperable* calculation for the Corredor Sur toll road described above. For purposes of determining whether the *monto recuperable* with respect to net revenue from land sales has been met, the Concessionaire computes the contractually determined estimated value of the transferred parcel of land or marine fill-in area, which is US\$250 per square meter, minus the costs of installing basic drainage, utility and access infrastructure in connection with improving the land for sale, and discounts such value from the date that the parcel is transferred to October 1, 1995 at the maximum annual discount rate of 12%. The Concessionaire's cumulative net revenue from land sales, calculated and discounted for purposes of determining the *monto recuperable*, was US\$50,927,357 as of December 31, 2004, as compared to the US\$116,587,500 that is allowed to be recovered from land sales pursuant to the Concession Contract. The Concessionaire does not expect to reach the *monto recuperable* with respect to toll revenues at any time prior to the stated expiration of the Concession in 2029.

The following table shows the cumulative estimated nominal net revenues from land sales, and the discounted cumulative estimated nominal net revenues from land sales, in each case since the beginning of the Concession through each of the dates indicated:

	As of December 31,		
	2004	2003 ⁽¹⁾	2002
Cumulative estimated nominal net revenues from land sales	US\$85,427,986	US\$70,206,763	US\$73,996,693
Cumulative estimated nominal net revenue from land sales (discounted for purposes of <i>monto recuperable</i> calculation).....	US\$50,927,357	US\$45,591,762	US\$47,079,692

⁽¹⁾ Pursuant to the Concession Contract, the Concessionaire recorded in 2003 the estimated costs of installing basic drainage, utility and access infrastructure required for improving the land for sale with respect to land received from the Panamanian government in 2002, thereby reducing the cumulative estimated nominal net revenue from 2002 to 2003.

Dispute Resolution

The Concession Contract provides that disputes between the Concessionaire and the Panamanian government are to be resolved in the Panama court system; however, the Concession Contract further provides that the parties may agree to resolve disputes thereunder through arbitration in Panama.

DESCRIPTION OF TRANSACTION DOCUMENTS

The following summary of certain provisions of certain of the Transaction Documents does not purport to be complete and is qualified in its entirety by reference to the provisions of the applicable Transaction Documents. The holders of the notes will be entitled to the benefits of, be bound by, and be deemed to have notice of all of the provisions of the Transaction Documents other than certain documents that may be confidential. Copies of the Transaction Documents (other than such confidential documents) will be on file with the Indenture Trustee, the Issuer and, with respect to the notes, the initial purchaser and may be inspected by prospective investors at the corporate trust office of the Indenture Trustee at 101 Barclay Street in New York City, New York and at the offices of the initial purchaser.

Trust Agreement

The Issuer will act in its capacity as Local Trustee under the Trust Agreement pursuant to the Trust Law. The Trust Agreement will be entered into between the Concessionaire, as settlor, and the Issuer. The Indenture Trustee will be the primary beneficiary and the Concessionaire will be the secondary beneficiary under the Trust Agreement. There will not be any other beneficiaries. The Corredor Sur Trust is being created pursuant to the Trust Agreement specifically for the offering of the notes, which means that, for purposes of Panamanian law, it is not required to adopt principles of good corporate governance.

The Trust Agreement will set forth the activities of the Issuer, provide for the creation and maintenance of the Transaction Accounts and set forth specific rights of the beneficiaries. The Issuer will not be permitted to engage in any other business activities. See “Description of the Notes — Certain Covenants of the Issuer — Activities of the Issuer.” Concurrently with the execution of the Trust Agreement, the Issuer will establish the Transaction Accounts.

Under the Trust Agreement, the Concessionaire, in its capacity as Instructor, will be entitled to instruct the Local Trustee regarding a number of operational matters, including investments of funds in the Transaction Accounts, subject to restrictions provided therein, dealings with counterparties under the various Transaction Documents, making foreign exchange decisions and granting powers of attorney. If an Event of Default occurs, the Indenture Trustee may, upon the direction of the Controlling Party, designate a successor Instructor, upon delivery of a notice by the Indenture Trustee to the Local Trustee and the Concessionaire.

If an Event of Default under the Indenture has occurred and is continuing, the Issuer will continue to make distributions to the Operating Account, the Senior Debt Account, the Debt Service Reserve Account, the Litigation Reserve Account and the Excess Cash Flow Account except to the extent otherwise instructed by the Indenture Trustee.

The Trust Agreement may not be terminated prior to payment in full of the notes and all other amounts owing thereunder without the written consent of the Indenture Trustee and the Concessionaire. In addition, if the Indenture is not signed within 20 days of the date of execution of the Trust Agreement, the Concessionaire may terminate the Trust Agreement at any time.

The Trust Agreement will be governed and interpreted in accordance with the laws of Panama, and the parties thereto will irrevocably submit to the jurisdiction of the competent courts (a) of Panama and (b) of the State of New York and of the United States located in the Southern District of New York in respect of any action or legal proceeding thereunder.

Assignment Agreement

Under the Assignment Agreement, the Concessionaire will assign to the Issuer the Assigned Rights. See “Summary—The Offering—Assigned Rights and Excluded Rights.” ICA Panama received the required government approval to assign the Assigned Rights to the Issuer on February 2, 2005. The Assignment Agreement will be governed and interpreted in accordance with the laws of Panama, and the parties thereto will irrevocably submit to

the jurisdiction of the competent courts (a) of Panama and (b) of the State of New York and of the United States located in the Southern District of New York in respect of any action or legal proceeding thereunder.

Termination and Release Agreement

The IFC Trust, the IFC, the Issuer and the Concessionaire will enter into an agreement on the Closing Date to provide for, *inter alia*, (a) the repayment of all amounts owing under the IFC Loan to the IFC, (b) the termination of the IFC Trust, the IFC Loan and other documents relating thereto, and (c) the release of ICA Panama and Empresas ICA from liability under the IFC Loan. The Termination and Release Agreement will be governed and interpreted in accordance with the laws of the State of New York, and the parties thereto will irrevocably submit to the jurisdiction of the competent courts of (a) Panama and (b) the State of New York and of the United States located in the Southern District of New York in respect of any action or legal proceeding thereunder.

Operation and Maintenance Agreement

On September 6, 1999, the Concessionaire and the Operator entered into the O&M Agreement, which provides for the operation and maintenance of the Corredor Sur. Under the O&M Agreement, the Operator provides all personnel, equipment and materials necessary for the operation and maintenance of the Corredor Sur and performs services, including the collection of Tolls, classification of vehicle traffic in the Corredor Sur and supervision of the providers of ancillary services.

The O&M Agreement was amended on May 12, 2005 to provide that a default will occur if: (i) the condition and operations of the Corredor Sur are sub-standard, based on an objective ratings scale specified in the O&M Agreement; (ii) the Operator is insolvent; (iii) the Operator encumbers or transfers (or attempts to encumber or transfer) its revenues or rights with respect to Ancillary Service Agreements; (iv) the Operator takes any action under the O&M Agreement that imposes any material liability on the Issuer or ICA Panama; or (v) other events to be specified. The O&M Agreement is also subject to early termination upon the occurrence of an event of termination thereunder or the mutual agreement of the parties thereto. The assessment of performance of the Operator under the O&M Agreement will be performed every two years by the Independent Engineer, annually by ICA Panama and, at the expense of the Controlling Party, more often if requested by the Controlling Party.

The O&M Agreement is governed by the laws of Panama, and all disputes will be resolved by an arbitration panel in Panama.

Share Retention and Undertakings Agreement

The Issuer, the Concessionaire, the Indenture Trustee, Empresas ICA and ICATECH will enter into the Share Retention and Undertakings Agreement, pursuant to which Empresas ICA will retain ownership of at least 51% of the total voting shares of ICATECH and will not permit the creation of any encumbrance or lien on any portion thereof; and ICATECH will agree to maintain ownership of not less than 100% of the total voting shares of ICA Panama and will agree to convey all the shares of the Concessionaire to the trust created pursuant to the Guaranty Trust Agreement, will not permit the creation of any encumbrance or lien on any portion thereof and will exercise its voting rights on the shares of the Concessionaire subject to the restrictions provided under the Guaranty Trust Agreement. In addition, the agreement provides for certain of the affirmative and negative covenants to be undertaken by the Concessionaire as set forth under "Offering Memorandum Summary—The Offering—Principal Covenants of ICA Panama." Any default by the Concessionaire in these undertakings will, after applicable cure periods, comprise a cross-default under the Indenture.

The Share Retention and Undertakings Agreement will be governed and interpreted in accordance with the laws of State of New York, and the parties thereto will irrevocably submit to the jurisdiction of the competent courts (a) of the State of New York and of the United States located in the Southern District of New York and (b) each of their own respective corporate domiciles in connection with any action or legal proceeding thereunder.

Assigned Rights Pledge Agreement

Under the Assigned Rights Pledge Agreement the Issuer will grant a security interest in the Assigned Rights in favor of the Indenture Trustee for the payment in full of all amounts owing on the notes. Upon an Event of Default under the Indenture, the Indenture Trustee will be entitled to sell, dispose of or otherwise transfer the Assigned Rights without the consent of the Issuer and apply the proceeds from such sale, disposition or transfer for the payment of amounts owing on the notes.

The Assigned Rights Pledge Agreement will be governed and interpreted in accordance with the laws of the State of New York, except that the execution, delivery, granting of a security interest, perfection, priority and enforcement will be governed by Panamanian law, and the parties thereto will irrevocably submit to the jurisdiction of the competent courts of the State of New York and of the United States located in the Southern District of New York in respect of any action or legal proceeding thereunder.

Guaranty Trust Agreement

The Guaranty Trust Agreement will provide for the transfer by ICATECH of 100% of the shares of ICA Panama and other rights and distributions deriving therefrom, to be held in trust by BG Trust, Inc., in its capacity as trustee (the “*Guaranty Trust Assets*”). ICATECH will grant to the Indenture Trustee the right to vote the shares of ICA Panama with respect to any Critical Decisions. Critical Decisions are defined as: (a) any voluntary termination of the Concession Contract by ICA Panama and (b) the filing of any bankruptcy or insolvency petition or proceeding by ICA Panama. Except upon an Event of Default under the Indenture, ICATECH will retain the voting rights with respect to the shares of ICA Panama on any matters other than Critical Decisions.

Upon an Event of Default under the Indenture, all voting, economic and beneficial rights in the shares of ICA Panama and other Guaranty Trust Assets identified by the trustee as deriving from Assigned Rights (the “*Guaranty Trust Assigned Rights*”), will vest automatically in the Indenture Trustee and ICATECH will no longer retain any interest therein. All such Guaranty Trust Assets identified by the trustee as deriving from Excluded Rights will be delivered to ICATECH, upon request (the “*Guaranty Trust Excluded Rights*”).

All those Guaranty Trust Assets that the trustee under the Guaranty Trust Agreement cannot clearly identify as either Guaranty Trust Assigned Rights or Guaranty Trust Excluded Rights, as well as the price obtained from the sale or transfer of the shares of ICA Panama, will be distributed to the Indenture Trustee or ICATECH, as the case may be, based on the relative value of the Guaranty Trust Assigned Rights and Guaranty Trust Excluded Rights as part of the Guaranty Trust Assets, at the time of distribution. Prior to the sale or transfer of Guaranty Trust Assigned Rights, the Guaranty Trust Assets will be appraised by an investment bank or appraiser firm. See “Risk Factors — Certain Risks Relating to the Notes — Rights under the Indenture with respect to action that may be taken by the Indenture Trustee if an Event of Default occurs are limited.”

The Guaranty Trust Agreement will be governed and interpreted in accordance with the laws of Panama, and the parties thereto will irrevocably submit to the jurisdiction of the competent courts (a) of Panama and (b) of the State of New York and of the United States located in the Southern District of New York in respect of any action or legal proceeding thereunder.

DESCRIPTION OF THE NOTES

The following summary of certain provisions of the notes and the Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the notes and the Indenture. The Noteholders and Note Owners will be entitled to the benefits of, be bound by, and be deemed to have notice of all of the provisions of the notes, the Indenture and each of the Transaction Documents. Copies of the Transaction Documents will be on file with the Indenture Trustee, the Issuer and the initial purchaser and may be inspected by prospective purchasers of the notes at the corporate trust office of the Indenture Trustee in New York City, New York, or the offices of the Issuer.

Status of Notes

The notes will constitute obligations of the Issuer, whose assets will consist primarily of the Collateral. The notes will constitute senior secured indebtedness of the Issuer.

Notes and Indenture

Each note will represent the right of the applicable Noteholder to receive: (a) interest on each Payment Date at the Interest Rate (as defined below) and (b) payment of principal (whether made on the Final Payment Date or otherwise). See “—Principal” below for a schedule of the payment of principal on the notes.

The notes will represent obligations of the Issuer and do not represent interests in or obligations of ICA Panama (except with respect to payments of Additional Amounts as defined in “—Additional Amounts” below), the Indenture Trustee or any other person.

Interest

The notes will bear interest from May 25, 2005 at the rate of 6.95% *per annum*; provided that, with respect to any amounts not paid when due, such rate will be an additional 2% *per annum* above such rate (the “*Interest Rate*”).

The notes will mature on May 25, 2025.

The interest on the notes will be payable quarterly in arrears on each Payment Date, and will be paid to the applicable Noteholders of record on the Record Date. All payments by the Issuer to the Noteholders or ICA Panama to the Indenture Trustee under the Transaction Documents are required to be paid in Dollars in the United States.

The amount of interest on the notes required to be paid to the applicable Noteholder(s) on each Payment Date (the “*Interest*”) will equal the sum of:

- the product of: (i) the Interest Rate, (ii) the balance of the notes as of the preceding Payment Date (after giving effect to all distributions on such preceding date) (or, in the case of the first Payment Date after the date of issuance of the notes, the initial balance of the notes), and (iii) the number of days in the related Interest Period (based upon a month of 30 days) divided by 360;
- the amount of any Interest accrued and payable but not paid on any prior Payment Date in respect of the notes; and
- to the extent permitted by applicable law, the product of: (i) the Interest Rate, (ii) the amount determined pursuant to the immediately preceding clause and (iii) the number of days in the related Interest Period (based upon a month of 30 days) divided by 360.

The Noteholders are also entitled to the payment by the Issuer of Additional Amounts (if any) with respect to each payment of interest (except to the extent that such amounts are paid directly by the Issuer to the applicable taxing authorities). See “—Additional Amounts” below.

Principal

No principal will be payable on the notes during the Interest-Only Period, except upon an optional redemption of all or any portion of the notes as described in “—Optional Redemption” and “—Optional Redemption for Tax Reasons” below.

Following the Interest-Only Period and ending on the date on which the notes have been paid in full, in addition to interest and Additional Amounts (if any), the Issuer shall pay the quarterly principal amortization amount set forth in Annex D to this offering memorandum (the “*Quarterly Amortization Amount*”).

Additional Amounts

All payments to be made by the Issuer to the Indenture Trustee, the Noteholders, the Note Owners or any other person in respect of the notes and otherwise under the Indenture are to be made free and clear of, and without deduction or withholding for, or on account of, any current or future Taxes imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority in Panama (“*Relevant Withholding Taxes*”) unless such Relevant Withholding Taxes are required by any such taxing authority in Panama to be deducted or withheld. If any such Relevant Withholding Taxes are required to be deducted or withheld, then ICA Panama, subject to the exceptions described below, will be required to pay to the Indenture Trustee (for the benefit of the applicable recipient(s) of such payment) such additional amounts (“*Additional Amounts*”) as may be necessary so that the recipient(s) of such payments will receive the full amount otherwise payable in respect of such payments had no such Relevant Withholding Taxes (including any Relevant Withholding Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld.

Notwithstanding the preceding paragraph, no such Additional Amounts will be payable by ICA Panama with respect to any such payment:

- in the case of any Relevant Withholding Tax assessed or imposed by any taxing authority in Panama to the extent that such Relevant Withholding Tax would not have been assessed or imposed but for any present or former connection between the applicable recipient of such payment and such jurisdiction other than its participation in the transactions effected by the Transaction Documents and the receipt of payments thereunder;
- for any estate, inheritance, gift, personal property, sales, transfer or other similar Tax;
- to the extent that any such Taxes would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent: (i) such compliance is required by applicable law or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Relevant Withholding Taxes, and (ii) at least 30 days before the first Payment Date with respect to which the Issuer shall apply this clause, the Issuer shall have notified such recipient in writing that such recipient will be required to comply with such requirement;
- to the extent of any Tax imposed by reason of the recipient’s past or present status as a non-United States private foundation or other non-United States tax-exempt organization;
- due to any combination of the circumstances described above;

nor will any Additional Amounts be paid with respect to any payment to a recipient who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that such payment would be required to be

included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been in the place of such recipient.

Notwithstanding the foregoing, the limitations on the obligation of ICA Panama to pay Additional Amounts as set forth in the third clause above will not apply if a certification, identification, information, documentation or other reporting requirement described in such clause would be materially more onerous (in form, in procedure or in the substance of information disclosed) to the applicable recipient than comparable information or other reporting requirements imposed under United States tax law, regulation and administrative practice (such as Internal Revenue Service Forms W 8BEN, W 8IMY, W 8ECI, W 8EXP, 6166 and W 9 or any successor form).

Upon the written request of the Indenture Trustee and to the extent available, ICA Panama will provide the Indenture Trustee with documentation reasonably satisfactory to it evidencing the payment of Relevant Withholding Taxes in respect of which ICA Panama has paid any Additional Amounts. To the extent applicable to a Noteholder or a Note Owner, copies of such documentation will be made available to such Noteholder or Note Owner upon written request therefore to the Indenture Trustee.

ICA Panama's obligation to pay Additional Amounts will survive the sale or other transfer of notes (or beneficial interests therein) by any Noteholder (or Note Owner).

The Issuer will not be responsible for the payment of Additional Amounts. ICA Panama will indemnify the Issuer for any Panama tax liability incurred by the Issuer.

Collateral

The Issuer will grant to the Indenture Trustee a first priority security interest in the Collateral to secure its obligations under the Indenture and the notes.

Certain Covenants of the Issuer

The Indenture will contain the following covenants of the Issuer:

Subsidiaries; Investments

It shall not create or acquire any subsidiaries or, other than as specifically contemplated by the Transaction Documents, make any Investment.

Restrictions on Payments

It shall not make, or cause or permit to be made on its behalf, any payment, monetary transfer or deposit other than as specifically contemplated by the Transaction Documents, as required by Applicable Law.

Compliance with Laws

It shall comply at all times with all Applicable Laws, except where: (i) the necessity of compliance therewith is being contested by the Issuer in good faith by appropriate proceedings or (ii) the failure to do so could not be reasonably expected to have a Material Adverse Effect.

Maintenance of Existence

It shall preserve and keep in full force and effect its corporate existence and rights necessary or desirable in the normal conduct of business, including its capacity to act as trustee of the Corredor Sur Trust, maintaining its domicile in Panama.

Rule 144A Information

For so long as any of the notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which it is neither subject to Section 13 or 15(d) under the Exchange Act nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, to make available to any Noteholder or Note Owner, or to a prospective Noteholder or Note Owner who is a QIB, in connection with any sale (or proposed sale) of a note (or beneficial interest therein), in each case at such investor’s or prospective investor’s written request to the Issuer, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act. All such information shall be in the English language.

Performance of Transaction Documents

It shall perform its obligations under the Transaction Documents and it shall not terminate, or materially waive or amend, any Transaction Documents except in accordance with the Indenture.

Payment of Obligations

It shall pay and discharge in full, at or before maturity, all of its obligations and liabilities (including tax liabilities) and comply with all Applicable Laws relating to Taxes, except where: (i) the validity of which is being contested by the Issuer in good faith by appropriate proceedings and with respect to which adequate reserves have been established by the Issuer to the extent required by IFRS or (ii) the failure so to comply could not be reasonably expected to have a Material Adverse Effect.

Information

It shall at all times give to the Indenture Trustee such information in its possession that the Indenture Trustee may reasonably require for the purpose of the discharge of the trusts, powers, rights, duties, authorities and discretions vested in it under the Indenture, under any other Transaction Document or by operation of Applicable Law.

Notices

If at any time: (i) any Default occurs or (ii) any Lien is imposed upon any of the Collateral, other than Liens pursuant to the Indenture and Liens for Taxes, assessments and other governmental charges payable by the Issuer and not yet due, then the Issuer shall promptly (and, in any event, within one Business Day after its Actual Knowledge thereof) notify the Indenture Trustee in writing thereof.

Further Assurances

It shall execute such further documents and do all acts and things as are necessary or as the Indenture Trustee may reasonably request at any time in order to give effect to the Transaction Documents.

Rating Agency

For so long as the notes shall be outstanding, it shall use its commercially reasonable best efforts to comply with the requirements of each Rating Agency in order for each Rating Agency to maintain its rating of the notes and: (i) so far as permitted by Applicable Law, at all times give each such Rating Agency such information as it shall reasonably request in order that it may perform its function as a rating agency in respect of the notes, (ii) inform each such Rating Agency as soon as reasonably practicable of any amendments or modifications that have been or are proposed to be made to the Indenture and (iii) in addition to copies of notices specifically referred to herein, send a copy to each such Rating Agency of all material notices sent by it to the Indenture Trustee under the terms of the Indenture.

Stamp Duties; Registration and other Governmental Fees

It shall reimburse, from the trust assets, each Noteholder or Note Owner for Panamanian document stamp duties, registration and other governmental fees and taxes (other than income taxes payable in respect of income on the notes) incurred and paid by such Noteholders in connection with the notes, if any.

Distributions

It shall pay distributions to ICA Panama out of the Excess Cash Flow Account one Business Day after each Monthly Reporting Date upon the instructions of the Instructor only if (i) no Event of Default has occurred and is continuing or any event or condition that with the passage of time, the giving of notice or otherwise would become an Event of Default; (ii) for both the 24-month period, ending immediately prior to, and the 24-month period immediately following (including the month during which the intended date of distribution falls) such Monthly Reporting Date (each such 24-month period to be calculated on an aggregate basis for such period), the Debt Service Coverage Ratio exceeded and is projected to exceed (based on the most recently available Independent Traffic Report delivered to the Issuer) 1.30:1.00; provided that, if less than 24 months have elapsed since the Closing Date, (1) such calculation of the prior period Debt Service Coverage Ratio shall be based on the number of months elapsed since the Closing Date and (2) the distribution (if any) that may be made shall be limited to the Coverage Differential for the relevant Reporting Period; (iii) for the most recent Reporting Period ending immediately prior to such Monthly Reporting Date, the Debt Service Coverage Ratio exceeded 1.25:1.00; and (iv) the reports provided at such time in accordance with the first bullet point under “— Reporting Obligations; Access to Books and Records,” evidence compliance with clauses (ii) and (iii) of this paragraph; provided that disbursements may be made to ICA Panama out of the Excess Cash Flow Account for the purpose of (x) emergency, unexpected repairs to the Corredor Sur that are in excess of amounts budgeted therefor (as set forth in the Major Maintenance Budget) in the Major Maintenance Reserve Account and (y) the payment of any final non-appealable court judgment or order against ICA Panama in each case subject only to the preceding condition (i), upon submission of a certificate of an authorized officer of ICA Panama detailing the application of such disbursements and certifying that such disbursement will be so applied.

Internal Controls; Books and Records; Independent Auditors

It shall:

- maintain an accounting system and shall keep proper books of record and account in accordance with applicable tax and accounting principles and provide for their audit in which books full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and
- engage Deloitte as independent auditors (or another equivalent internationally recognized firm of independent public accountants).

Reporting Obligations; Access to Books and Records

It shall:

- starting July, 2005, by no later than the 10th Business Day following the last day of the preceding calendar month (a “*Monthly Reporting Date*”), provide to the Indenture Trustee and the Rating Agencies a report showing the Debt Service Coverage Ratio and the information used in calculating such ratio with respect to the preceding calendar month and for the immediately preceding 24-month period (such 24-month period to be calculated on an aggregate basis); provided that, if less than 24 months shall have elapsed since the Closing Date, such calculation of the prior period Debt Service Coverage Ratio shall be based on the number of months elapsed since the Closing Date;

- as soon as available, but in any event within 2 months after the end of each of its fiscal quarters, provide to the Indenture Trustee and the Rating Agencies a copy of the unaudited financial statements for such quarter (prepared in accordance with IFRS) of the Corredor Sur Trust and a monthly account activity report showing a summary of the inflows and outflows with regard to the Transaction Accounts over the course of such fiscal quarter;
- as soon as available, but in any event within 4 months after the end of each fiscal year, provide to the Indenture Trustee and the Rating Agencies a copy of the audited financial statements of the Corredor Sur Trust for such fiscal year (prepared in accordance with IFRS); an accompanying, auditors' report; a report showing a summary of the inflows and outflows with regard to the Transaction Accounts over the course of such fiscal year; and such other information regarding the Issuer as the Indenture Trustee may reasonably request;
- permit, upon reasonable notice at all times when no Default or Event of Default has occurred and is continuing, a representative of the Indenture Trustee, at its own expense, to visit and inspect any of its properties or offices, to examine and make abstracts from any of the books and records of the Corredor Sur Trust and to discuss the Corredor Sur Trust's affairs, finances and accounts with its officers, employees and its independent public accountants, all at such reasonable times and as often as may reasonably be desired;
- promptly notify the Indenture Trustee in writing of any event or condition of which it has Actual Knowledge, including without limitation any litigation, dispute or administrative proceeding, that could reasonably be expected to materially and adversely affect its financial condition or its ability to perform and observe its obligations under any Transaction Document to which it is a party;
- promptly notify the Indenture Trustee in writing of any event or condition of which it has Actual Knowledge, including without limitation any litigation, dispute or administrative proceeding, that could reasonably be expected to materially and adversely affect the Concession Contract or ICA Panama's ability to perform and observe its obligations under the Concession Contract;
- promptly provide the Indenture Trustee with a copy of any communication received by it from or sent by it to the MOP in connection with any possible or threatened early termination of the Concession Contract; and
- promptly notify the Indenture Trustee of any default or material non-compliance with any obligation of ICA Panama or the MOP under the Concession Contract, of which it has Actual Knowledge.

Authorizations

It shall obtain and maintain in force (or where appropriate, promptly renew) all material authorizations necessary for carrying out its business and operations generally, except where any failure to do so could not, alone or in the aggregate, have a Material Adverse Effect.

Activities of the Issuer

As trustee of the Corredor Sur Trust, the Issuer shall not engage in any business other than for:

- the issuance and sale of the notes pursuant to the Indenture including the listing of the notes on the Panama Stock Exchange and the CNV, including all applicable reporting obligations pursuant thereto;
- the receipt, for distribution in accordance with the Indenture, of the proceeds of the sale of the notes to the initial purchaser, and the making of payments thereon;

- the receipt, for distribution in accordance with the Trust Agreement, of all Tolls collected and all payments received pursuant to the O&M Agreement (if any) and the Ancillary Service Agreements, as applicable, as well as any other funds payable to the Issuer as assignee of the Assigned Rights;
- the assignment to ICA Panama, on the date of repayment in full of all amounts owing in respect of the Indenture and the notes, of the Assigned Rights;
- the entry into the Indenture and the performance of all obligations thereunder, including but not limited to, the disbursement of funds in accordance with the terms thereof and the payment of all Obligations in respect of the notes;
- the disbursement of funds under the Trust Agreement as instructed by the Instructor and in compliance with the terms of the Trust Agreement;
- the redemption of the notes as instructed by ICA Panama, and as required by the terms of the notes;
- the incurrence of Indebtedness in connection with the repayment in full of the notes and other amounts owing under the Indenture; and
- the entry into, performance and execution of all such other acts, procedures and contracts required or appropriate for the furtherance of, or that are incidental to, the Issuer's business purposes as contemplated in the Trust Agreement.

Indebtedness

It shall not incur or maintain any Indebtedness other than the notes and Indebtedness incurred in refinancing in full the Obligations.

Guarantees

It shall not Guarantee the Indebtedness of other Persons.

Liens

It shall not create or permit to exist any Liens or charges on any of the assets of the Corredor Sur Trust other than: (1) the security interest to be granted under the Indenture, (2) Liens incurred in the ordinary course of business and (3) any tax or other statutory Liens, including any judicial liens or other liens arising by operation of law.

Arm's-Length Transactions

It shall not enter into any transaction other than on an arm's-length basis.

Limitation on Transfer of Assigned Rights

It shall not, other than pursuant to the Indenture, transfer or assign (or purport to transfer or assign) all or any part of the Assigned Rights.

Limitation on Shared Assets

It shall not, other than under the Transaction Documents, enter into any agreement whereby its assets are shared with any other party.

No Transfer of or Encumbrance on Collateral

Other than the security interest granted to the Indenture Trustee pursuant to the Indenture and any Account Control Agreements, the Issuer will not pledge, assign, sell, grant a security interest in, or otherwise convey any of the Assigned Rights, the Transaction Accounts or any subaccounts thereof or any other Collateral.

Perfection of Security Interest

The Issuer shall take, or cause to be taken, all actions required under Applicable Law to be done by it, and execute or cause to be executed such documents and instruments to be executed by it, and file or cause to be filed such documents and instruments, necessary to perfect a first priority security interest in the Collateral for the security and benefit of the Secured Parties. The Issuer shall authorize the filing of any UCC financing statements deemed necessary or appropriate by the Indenture Trustee or its counsel, which financing statements may indicate the collateral as being “all of the debtor’s personal property” or words to that effect.

Optional Redemption

From time to time on or after the third anniversary of the date of issuance of the notes, ICA Panama may require the Issuer, for any reason, by payment to the Indenture Trustee of the Redemption Price for the notes (or portion thereof that it wishes to have redeemed), to redeem the notes (or a portion thereof); provided that any redemption in part shall be in an aggregate principal amount of at least US\$10,000,000 and US\$1,000,000 multiples in excess thereof; provided further that any such redemption shall be on a Payment Date.

Optional Redemption for Tax Reasons

Notwithstanding anything to the contrary in the Indenture, ICA Panama may require the Issuer to redeem the notes in whole on any Payment Date if, ICA Panama certifies to the Issuer and the Indenture Trustee immediately prior to the giving of such notice that ICA Panama has or will become obligated to pay Additional Amounts on the next succeeding Payment Date which are in excess of 5.0% of the total Interest due on that date as a result of any change in, or amendment to, the laws or regulations of Panama, or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment occurred after the date of issuance of the notes; and such obligation cannot be avoided by ICA Panama taking reasonable measures available to ICA Panama; provided, however, that the notice of redemption shall not be given earlier than 60 days before the earliest Payment Date on which ICA Panama would be obligated to pay the Interest giving rise to such Additional Amounts. In such instance, ICA Panama will be obligated to pay to the Indenture Trustee (on behalf of the Issuer) the Redemption Price (provided that, for purposes of a redemption described in this paragraph, the definition of Redemption Price will not include the Make-Whole Premium).

Mandatory Redemption

The notes may be subject to mandatory redemption, in whole but not in part, in limited circumstances. As described in “—Events of Default” below, after the occurrence of an Event of Default relating to bankruptcy or insolvency of the Issuer or ICA Panama, the Redemption Price for the notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Indenture Trustee or any Noteholder or Note Owner and the Issuer will promptly (but in any event no more than 5 Business Days thereafter) pay to the Indenture Trustee an amount equal to the Redemption Price. If such payment shall not have been paid in full on the date required, then the Indenture Trustee (as pledgee of the Collateral) will have a direct cause of action against the Issuer to collect such unpaid amount for the benefit of the Noteholders and the Note Owners.

Extraordinary Mandatory Redemption

Notwithstanding anything to the contrary in the Indenture, if the closing under the purchase agreement among the Issuer, ICA Panama and Merrill Lynch (See “Plan of Distribution”) does not occur, but notes are issued against payment by local brokers in Panama, the Issuer will promptly cause all of such notes to be redeemed by

payment to the Indenture Trustee of an amount in dollars equal to the aggregate principal amount of such notes (and no interest, Additional Amounts, Make-Whole Premium or other amounts shall accrue or be payable in respect of such notes). If the Issuer is required to effect an extraordinary mandatory redemption of notes, the Issuer will notify the Indenture Trustee in writing of the redemption date and the principal amount of notes to be redeemed. Promptly after the Closing Date, the Indenture Trustee will notify the Noteholders of the date of redemption of notes in accordance with the procedures of the relevant depository applicable to redemption. The date of such redemption will occur no later than 15 days from the date of the notice of redemption.

If the closing referred to in the first sentence of the immediately preceding paragraph were not to occur, the termination of the IFC Trust under the Termination and Release Agreement among the IFC Trust, the IFC, the Issuer and the Concessionaire would not become effective and as a result thereof the Assigned Rights would not have been effectively assigned to the Issuer under the Assignment Agreement and the pledge of the Assigned Rights under the Assigned Rights Pledge Agreement would not become effective.

Events of Default

The following events will be defined in the Indenture as “Events of Default”:

(1) the failure to pay Interest on the notes or Additional Amounts, if any, when the same becomes due and payable and such failure shall have continued for a period of 5 days;

(2) the failure to pay the principal on any notes, when such principal becomes due and payable, at maturity, upon redemption or otherwise;

(3) a default shall have occurred in the performance of any obligation of the Issuer under the Indenture (other than pursuant to clauses (1) or (2) above), or in the performance of any obligation by any party under any Transaction Document (including ICA Panama under any Transaction Document) or any other agreement to which the Issuer is party in connection with the Corredor Sur, and any such default shall have continued for a period of 30 days after notice thereof shall have been given to the Issuer by the Indenture Trustee;

(4) any representation or warranty confirmed or made in connection with the execution and delivery of the Indenture or any other Transaction Document by the Issuer or ICA Panama shall be found to have been incorrect in any material respect;

(5) any Governmental Authority shall have condemned, nationalized, seized, or otherwise expropriated all or any substantial part of the property or other assets of the Corredor Sur Trust or ICA Panama (other than the Excluded Rights of ICA Panama) or the Corredor Sur, or shall have taken any action for the dissolution or liquidation of the Issuer or ICA Panama or any action that would prevent the Issuer or ICA Panama or its respective officers from carrying on its business or operations (other than business or operations of ICA Panama solely related to the Excluded Rights) or a substantial part thereof;

(6) there shall have been entered against the Issuer or ICA Panama a decree or order by a court adjudging the Issuer or ICA Panama bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer or ICA Panama, as the case may be, under any applicable law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer or ICA Panama, as the case may be, or of any substantial part of its property or other assets, or ordering the winding up or liquidation of its affairs; or any petition is filed by any party seeking any of the above and is not dismissed within 30 days;

(7) the Issuer or ICA Panama shall have requested a moratorium or suspension of payment of debts from any court, or instituted proceedings or taken action to be liquidated or adjudicated bankrupt or insolvent, or consented to the institution of bankruptcy or insolvency proceedings against it, or filed a petition or answer or consent seeking a composition with its creditors or reorganization or relief under any applicable law, or consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer or ICA Panama, as the case may be, or of any substantial part of its respective property or other assets, or made an assignment for the benefit of creditors, or admitted in writing its inability to pay its debts

generally as they become due; or any other event shall have occurred which under any applicable law would have an effect analogous to any of those events listed in this clause (7);

(8) any license, approval or consent necessary for the carrying out of the Corredor Sur and the business and operations of the Issuer or ICA Panama generally (other than such business or operations of ICA Panama related solely to the Excluded Rights) or for the performance by either the Issuer or ICA Panama of its obligations under the Indenture or under any other Transaction Document or for the performance by any party of its obligations under any Transaction Document is not obtained when required or otherwise ceases to be in full force and effect, and such license approval or consent is not restored within 30 days after the Indenture Trustee shall have given notice thereof to the Issuer except where the failure to obtain, or maintain in full force in effect, such license, approval or consent could not, alone or in the aggregate, have a Material Adverse Effect;

(9) any authorization necessary for each of the Issuer and ICA Panama to perform and observe its obligations under any Transaction Document is not obtained when required or is rescinded, terminated, lapses or otherwise ceases to be in full force and effect, and such authorization is not restored or reinstated within 45 days of notice by the Indenture Trustee to the Issuer requiring such restoration or reinstatement except where the failure to obtain such authorization or where such rescission, termination, lapse of or cessation of such authorization could not, alone or in the aggregate, have a Material Adverse Effect;

(10) any provision of the Indenture or any other Transaction Document (other than any Transaction Document evidencing a Lien or any component part thereof) is or becomes invalid, illegal or unenforceable, and such provision has not been replaced by alternative provisions satisfactory to the Indenture Trustee within (or otherwise if such default continues for) a period of 30 days after the Indenture Trustee shall have given notice thereof to the Issuer except for such provision, the invalidity, illegality or unenforceability of which could not, alone or in the aggregate, have a Material Adverse Effect;

(11) the perfection or maintenance of any security interest in the Collateral for the benefit of the Secured Parties or any component thereof shall for any reason cease to be in full force and effect or otherwise lose its priority;

(12) either (i) the Concession Contract is suspended, revoked, terminated or materially amended or ceases to be in full force and effect or (ii) the Issuer or ICA Panama receives notice from the MOP, or any other applicable governmental authority of Panama, of any event that could reasonably be expected to result in the suspension revocation, termination, a material amendment to or cessation of the Concession Contract;

(13) failure to promptly notify the Indenture Trustee in the event that ICA Panama or the Issuer receives a notification from the MOP of material noncompliance with the terms of the Concession Contract, or other action that, under the terms of the Concession Contract, would if left unresolved result in termination of the Concession;

(14) ICA Panama shall fail to replace the Operator following a default under the O&M Agreement that is not cured within the time period specified in the O&M Agreement;

(15) failure of the Debt Service Reserve Account, on each of the three consecutive Monthly Transfer Dates, to contain an amount equal to the amount of principal and interest due on the notes for the next four consecutive Payment Dates; or

(16) there is entered into against ICA Panama (1) a final, non-appealable judgment or order for the payment of money in an aggregate amount exceeding US\$10,000,000 (or the equivalent in another currency)(to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) or (2) one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect.

Acceleration

If an Event of Default (other than an Event of Default specified in clauses 6 or 7 under “—Events of Default” above) occurs and is continuing, the Indenture Trustee by notice to the Issuer, or the Holders of at least 25% in outstanding principal amount of the notes by notice to the Issuer and the Indenture Trustee, may declare all Obligations to be due and payable. Upon such a declaration, such Obligations shall be due and payable immediately.

Notwithstanding anything to the contrary in the preceding paragraph, if an Event of Default occurs and is continuing, the Controlling Party, by notice then given in writing to the Issuer and the Indenture Trustee, may require the Issuer immediately to pay an amount equal to the Redemption Price for the notes to the applicable Secured Parties in accordance with the Indenture. If an Event of Default specified in clauses 6 or 7 under “—Events of Default” above occurs and is continuing then the Redemption Price for the notes will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Indenture Trustee or any Holder. In either event, the Issuer will promptly (but in any event no more than 5 Business Days thereafter) pay to the Indenture Trustee an amount equal to such Redemption Price.

The Controlling Party by notice to the Indenture Trustee may rescind an acceleration and its consequences, provided (a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay (i) all sums paid or advanced by the Indenture Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel, and all other amounts due to the Indenture Trustee under the Indenture, (ii) all overdue interest on all notes, (iii) the principal or the premium, if any, on any notes that have become due otherwise than by such declaration or occurrence of acceleration and interest thereon at the rate prescribed therefore by such notes and (iv) to the extent that payment of such interest is lawful, interest upon overdue interest, if any, at the rate prescribed therefor by such notes, (b) all existing Events of Default, other than the non-payment of principal of, premium, if any, and accrued interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived and (c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. For a description of additional enforcement action with respect to the shares of ICA Panama, see “—Description of Transaction Documents—Guaranty Trust Agreement.”

Enforcement by Noteholders

The Indenture will provide that no Noteholder will have any right to institute any proceeding against the Issuer with respect to the Indenture or the notes (including due to any Event of Default thereunder) unless: (a) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Event of Default, (b) Noteholders holding not less than 25% of the Outstanding Amount have made a written request to the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as Indenture Trustee, (c) the receipt by the Trustee of security or indemnity reasonably satisfactory to it, against costs and expenses, including attorneys’ fees and expenses, that might be incurred, (d) the Indenture Trustee has failed to institute such proceedings for 60 days thereafter and (e) no direction inconsistent with such request has been given to the Indenture Trustee during such 60-day period by the Controlling Party. Notwithstanding the above, the right of any Noteholder to institute a suit for the enforcement of the payment of principal or interest on the notes on the due date therefore may not be impaired without its consent.

Application of Money or Property Collected

If the Indenture Trustee collects any money or property pursuant to the Indenture or any other Transaction Document, it will pay out the money or property in the following order: first, to pay fees and expenses under this Indenture; second, to pay interest on the notes according to the amount due and payable; third, to pay principal in respect of the notes according to the amount due and payable; fourth to pay Additional Amounts, if any; and fifth, to all other Obligations, in each case ratably to the Secured Parties, without preference or priority of any kind, according to such amounts so due and payable.

Form, Denomination and Registration

Beneficial interests in the Rule 144A Note and the Regulation S Note will be issued in minimum authorized denominations of US\$1,000 and integral multiples of US\$1,000 in excess thereof. The notes (or beneficial interests therein) may not be transferred unless the principal amount so transferred is in an authorized denomination.

Mutilated, Destroyed, Lost or Stolen Notes

If: (a) any mutilated or defaced note is surrendered to the Indenture Trustee, or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any note and of the ownership thereof, and (b) in the case of a note that has been destroyed, lost or stolen, there is delivered to the Indenture Trustee and the Issuer such security or indemnity as may be required by them to save each of them harmless (provided that if the applicable Noteholder has a net worth of at least US\$50,000,000 or its long-term unsecured foreign currency obligations have a rating from either S&P or Moody's of at least "A" or "A2" (as applicable), then such Noteholder's own unsecured agreement of indemnity will be deemed satisfactory; it being understood that the Indenture Trustee may reasonably request information necessary to establish that any such Noteholder has such net worth or rating for purposes of this paragraph), then, in the absence of actual knowledge of a responsible officer of the Indenture Trustee or written notice to the Indenture Trustee that such note has been acquired by a "protected purchaser" (as defined in Section 8-303 of the applicable Uniform Commercial Code), then the Indenture Trustee, at the direction of the Issuer, will authenticate, register and deliver, in exchange and substitution for (upon surrender and cancellation thereof) or in lieu of and in substitution for any such mutilated, defaced, destroyed, lost or stolen note, a new note executed by the Issuer of like tenor (including the same issuance date) and of like principal balance registered in the same manner, dated the date of its authentication and bearing interest from the date to which interest has been paid on such mutilated, defaced, destroyed, lost or stolen note. In connection with the execution, authentication and delivery of any new note under this paragraph, the Issuer or the Indenture Trustee may require the payment by the applicable Noteholder of a sum sufficient to cover any Tax or other governmental charge that may be imposed in relation thereto and any other fees and expenses (including the fees and expenses of the Indenture Trustee) connected therewith. Any duplicate note as described in this paragraph will constitute conclusive evidence of the same indebtedness of the Issuer, as if originally issued, whether or not the lost, stolen or destroyed note shall be found at any time.

Payments

Payments on the notes will be made by the Indenture Trustee from amounts received with respect to the corresponding note directly to the registered Noteholders in accordance with the procedures set forth in the Indenture. Payments of interest, principal and Additional Amounts (if any) will be made on each Payment Date to the Noteholders appearing on the Register (as defined below) as of the relevant Record Date. Payments to Noteholders will be made by check sent by first-class mail to the address of such Noteholders appearing on the Register as of the relevant Record Date or, if transfer instructions have been provided to the Indenture Trustee, by electronic funds transfer in immediately available funds to an account maintained by such Noteholder with a bank having electronic funds transfer capability; provided that the final payment in respect of the notes will be made only against surrender of such note to the Indenture Trustee. Unless such designation for payment by electronic funds transfer is revoked, any such designation made by such Noteholder shall remain in effect with respect to any future payments to such Noteholder.

Any monies deposited with or paid to the Indenture Trustee for the payment of the Issuer's payment obligations to Noteholders and not applied but remaining unclaimed for three years (or such lesser time as the Indenture Trustee shall be satisfied, after notice from the Issuer, that is one month before the escheat period provided under applicable law) after the date upon which such principal, premium, interest or other amount shall have become due and payable will (to the extent not required to escheat to any governmental authority) be repaid by the Indenture Trustee to or for the account of the Issuer and, to the extent permitted by applicable law, the Person with the right to receive such payment of principal, premium (if any), interest or any other amount may thereafter look only to the Issuer for any related payment that it may be entitled to receive, and all liability of the Indenture Trustee with respect to such monies will thereupon cease.

On or before January 31 of each year, the Indenture Trustee will furnish to each person who at any time during the preceding calendar year was a Noteholder a statement prepared by the Indenture Trustee containing such customary information as the Indenture Trustee deems necessary or desirable to enable the Noteholders (and the Note Owners) to prepare their tax returns.

Registration of Transfer

The Indenture Trustee will be responsible for (among other things): (a) maintaining a record of the aggregate holdings of notes represented by the Global Notes and accepting notes for exchange and registration of transfer, (b) ensuring that payments in respect of the notes are duly paid to the Noteholders to the extent funds are available therefor and (c) transmitting notices to Noteholders and from Noteholders to the Issuer and the Indenture Trustee (in each case as contemplated by the Indenture).

Transfers

The Indenture Trustee will register notes and transfers and exchanges thereof as provided in the Indenture. The Indenture Trustee will cause to be kept at its office a register (the “*Register*”) in which, subject to the restrictions on transfer described herein, and such other reasonable requirements as it may prescribe, the Indenture Trustee will provide for the registration of the notes and transfers and exchanges thereof.

A Noteholder may transfer such note, subject to compliance with the provisions of any legend thereon, by surrendering it at the office or agency maintained by the Indenture Trustee for such purpose in New York City, New York. Every note presented or surrendered for registration of transfer or exchange is required to be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by the applicable Noteholder or its attorney duly authorized in writing and bear a medallion guarantee of the Noteholder. Upon surrender for registration of transfer of any note at the office or agency maintained by the Indenture Trustee, the Indenture Trustee will authenticate and deliver, in the name of the designated transferee (and, if the transfer is for less than all of the applicable note, the transferor), one or more new note(s) executed by the Issuer in authorized denominations of a like aggregate principal balance and deliver such new note(s) to the applicable Noteholder(s). Before any definitive note may be transferred to a person who takes delivery in the form of an interest in any Global Note, the transferor will be required to provide the Indenture Trustee with a transfer certificate (forms of which are attached to the Indenture). No service charge will be charged to a Noteholder (or any Note Owner) for any registration of transfer or exchange of notes, but the Indenture Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The required transfer legends on a note will not be removed unless there is delivered to the Issuer and the Indenture Trustee such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and/or the Indenture Trustee that neither such legend nor the restrictions on transfer set forth therein are required to ensure that transfers of such note (or beneficial interests therein) will not violate the registration requirements of the Securities Act. Upon provision of such satisfactory evidence, the Indenture Trustee, at the request of the Issuer, will authenticate and deliver in exchange for such note a note (or notes) having an equal aggregate principal balance that does not include such legend. If such a paragraph required for a note has been removed as provided above, then no other note issued in exchange for all or any part of such note will bear such legend unless the Issuer has reasonable cause to believe that such other note is a “restricted security” within the meaning of Rule 144 and requests the Indenture Trustee to cause a legend to appear thereon.

As stated in the Indenture, the Indenture Trustee will, upon at least two Business Days’ prior written notice and during regular business hours of the Indenture Trustee, permit any Noteholder to inspect and copy the Register and other books and records of the Indenture Trustee to the extent relating to the notes.

Notices; Meetings of Noteholders

Any notice or communication to a Noteholder will be deemed to have been duly given upon the mailing of such notice or communication by first-class mail to such Noteholder at its registered address as recorded in the Register.

A meeting of Noteholders may be held at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be made, given or taken by the Noteholders. The Indenture Trustee may at any time call a meeting of the Noteholders for any such purpose to be held at such time and at such place as the Indenture Trustee shall reasonably determine. Notice of every meeting of the Noteholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, will be given by the Indenture Trustee to each Noteholder not less than ten nor more than 60 days before the date fixed for the meeting. In case at any time the Issuer or Noteholders holding at least 10% of the outstanding principal amount of the notes shall have requested the Indenture Trustee to call a meeting of the Noteholders for any such purpose, by written request setting forth in reasonable detail the action proposed to be taken at such meeting, the Indenture Trustee will call such a meeting for such purposes by giving notice thereof.

To be entitled to vote at any meeting of Noteholders, a person must be a Noteholder or a person duly appointed by an instrument in writing as proxy for a Noteholder. The quorum at any meeting called to adopt a resolution shall be Noteholders that hold more than 50% of the outstanding principal amount of the notes. Any instrument given by or on behalf of any Noteholder in connection with any consent to any modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such note. Any action taken at a duly called and held meeting of the Noteholders will be conclusive and binding on all Noteholders, whether or not they gave consent or were present at the meeting; it being understood that, in taking any actions for which an indicated portion of the Noteholders is required to approve, such level of approval will be required. The Indenture Trustee may make such reasonable and customary regulations as it shall deem advisable for any meeting of Noteholders with respect to proof of the appointment of proxies, the record date for determining the registered Noteholders entitled to vote (which date will be specified in the notice of meeting), the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of such meeting, the conduct of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem appropriate. A record of the proceedings of each meeting of Noteholders will be prepared by the party calling the meeting and a copy thereof will be delivered to the Issuer and the Indenture Trustee.

Notwithstanding anything herein or in the Transaction Documents to the contrary, should any notes (or beneficial interests therein) be owned by the Issuer or any of their respective affiliates, any vote to be taken by Noteholders (including any vote resulting from the occurrence of a Default or Event of Default) will exclude from such voting the vote relating to (and principal amount of) the notes (or beneficial interests therein) of any such person, unless all of the notes (or beneficial interests therein) are owned by such persons.

Amendments to the Indenture and the other Transaction Documents

The Issuer and the Indenture Trustee may (subject to certain limited exceptions in which such consent is not required) only with the written consent of the holders of more than 50% of the outstanding principal amount of the notes, from time to time and at any time, enter into a written amendment to the Indenture or any other Transaction Document for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or any other Transaction Document or of modifying in any manner the rights of the Indenture Trustee, the Noteholders, the Note Owners and any other person entitled to payment under the notes and the Indenture in respect thereof.

Notwithstanding anything to the contrary in the preceding paragraph, no such amendment to the Indenture or any other Transaction Document will, without the consent of every Noteholder:

- reduce in any manner the amount of, or delay the timing of or alter the priority of, any payments that are required to be made herein on any notes, or change any date of payment on any notes, or change the place of payment where, or the coin or currency in which, any note is payable, or impair the Indenture Trustee's right to institute suit for the enforcement of any such payment,
- permit the disposition of the Collateral or any portion thereof,

- reduce the percentage of the aggregate Outstanding Amount that is required for any such amendment, or reduce such percentage required for any waiver or instruction provided for in the Indenture,
- modify specified provisions of the Indenture, or
- materially increase the discretionary authority of the Indenture Trustee.

If the Indenture Trustee receives a request for a consent to any amendment, modification, waiver or supplement in respect of any Transaction Document, then the Indenture Trustee will promptly (and, in any event, within one of its Business Days) send a notice of such proposed amendment, modification, waiver or supplement to each Noteholder that is registered on the Register as of such date. The Indenture Trustee will request from the Noteholders directions as to: (a) whether or not the Indenture Trustee should take or refrain from taking any action that it has the option to take and (b) whether or not to give or execute any waivers, consents, amendments, modifications or supplements that it is entitled to give or execute. Provided that such a request for such direction shall have been made, in directing any action or casting any such vote or giving any such consent, the Indenture Trustee will vote in favor of such amendment, modification, waiver or supplement only with the consent of Noteholders holding more than 50% of the outstanding principal amount of the notes and otherwise will vote against such amendment, modification, waiver or supplement.

Under CNV regulations, issuers must follow certain procedures in order to effect an amendment or modification to the terms and conditions of the securities in accordance with CNV *Acuerdo* 4-2003, dated April 11, 2003.

The Indenture Trustee

The Bank of New York, a New York banking corporation, is the Indenture Trustee under the Indenture. The Bank of New York's registered office is at 101 Barclay Street, 21 West, New York, New York 10286. The Indenture Trustee and its affiliates may from time to time enter into normal banking and trustee relationships with the Issuer, any Noteholder, any Note Owner, the Issuers and their respective affiliates; provided that the Indenture Trustee may not offer or provide credit or credit enhancement to the Issuer (including to be a Noteholder or Note Owner for its own account). In addition, the Indenture Trustee may appoint co- or separate trustees of all or any part of the Collateral to the extent required to meet the legal requirements of a particular jurisdiction in which any part of the Collateral may at the time be located.

The Indenture Trustee may resign and be discharged of the trust created by the Indenture by giving at least 90 days' written notice to the Issuer and the Noteholders, and such resignation will take effect upon receipt by the Indenture Trustee of an instrument of acceptance of appointment executed by a successor trustee as provided in the Indenture; it being understood that such replacement may occur before the end of such 90-day period. The Indenture Trustee may be removed as trustee at any time, with or without cause, upon written notice by Noteholders holding more than 50% of the outstanding principal amount of the notes delivered to the Indenture Trustee and the Issuer, and (unless such notice provides otherwise) such removal shall take effect upon receipt by the Indenture Trustee of an instrument of acceptance of appointment executed by a successor trustee as provided in the Indenture. In addition, the Issuer or Noteholders holding more than 50% of the outstanding principal amount of the notes may (by notifying the Indenture Trustee in writing, with a copy to the Issuer and such successor Indenture Trustee) remove the Indenture Trustee and appoint a successor Indenture Trustee if either: (a) the Indenture Trustee ceases to meet certain eligibility criteria set forth in the Indenture and fails to resign after written request for such resignation by the Issuer or holders of more than 50% of the outstanding principal amount of the notes or (b) the Indenture Trustee becomes incapable of acting, or (in its individual capacity) shall be adjudged a bankrupt or insolvent or a receiver or liquidator of the Indenture Trustee (in its individual capacity) or of its property shall be appointed, or any public officer takes charge or control of the Indenture Trustee (in its individual capacity) or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

Governing Law

The Indenture will provide that it and the notes will be governed by, and be construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflict of laws.

The Issuer will irrevocably consent to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, the City of New York, New York, United States (the “*New York Courts*”), and any appellate court from any of these courts, and have waived any immunity from the jurisdiction of the New York Courts over any suit, action or proceeding that may be brought in connection with the indenture and the notes. The Issuer will appoint CT Corporation System, Inc. as initial authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought in connection with the indenture or the notes against the Issuer in any such court, and have agreed that such appointment shall be irrevocable so long as any of the notes remain outstanding or until the irrevocable appointment by the Issuer of a successor in the City of New York as our authorized agent for such purpose and the acceptance of such appointment by such successor.

Book-Entry System; Delivery and Form

General

The notes are being offered and sold in the United States to qualified institutional buyers, in reliance on Rule 144A (the “*Rule 144A Notes*”). The notes are also being offered and sold outside the United States in reliance on Regulation S (the “*Regulation S Notes*”).

Restricted and Regulation S Global Notes

The Rule 144A Notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “*Restricted Global Note*”). The Regulation S Notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “*Regulation S Global Note*” and, together with the Restricted Global Note, the “*Global Notes*”). The Restricted Global Note will be deposited with a custodian for DTC, and The Regulation S Note will be deposited with a custodian for Clearstream Banking, société anonyme (“*Clearstream, Luxembourg*”), and Euroclear Bank S.A./N.V., as operator of the Euroclear System (“*Euroclear*”). Beneficial interests in the Global Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Clearstream, Luxembourg and Euroclear.

Beneficial interests in the Regulation S Global Note may be held in Panama through *Central Latinoamericano de Valores, S.A.* (“*Latinclear*”). Latinclear is a participant in Clearstream, Luxembourg. Subject to the transfer restrictions discussed below (see “—Restrictions on Transfer”), transfers of beneficial interests in the Regulation S Global Note may be made (i) among Latinclear participants or (ii) from a Latinclear participant to a non-Latinclear participant through Clearstream, Luxembourg. While it is possible to transfer beneficial interests in the Regulation S Global Note from a non-Latinclear participant to a Latinclear participant via Clearstream, Luxembourg, it may result in Panamanian capital gains taxes on the transferor. See “Taxation—Panamanian Taxation—Taxation of Dispositions.”

Restrictions on Transfer

Through and including the 40th day after the later of the commencement of the offering and the original issue date of the notes, beneficial interests in the Regulation S Global Note may be held only through Clearstream, Luxembourg and Euroclear, unless transferred to a person that takes delivery through the Restricted Global Note in accordance with the certification requirements described below. Beneficial interests in the Restricted Global Note may not be exchanged for beneficial interests in the Regulation S Global Note at any time except in accordance with the transfer and certification requirements described below. See “—Exchanges between Regulation S Notes and Rule 144A Notes.”

Beneficial interests in the Restricted Global Note will be subject to certain restrictions on transfer and the Restricted Global Note will bear a restrictive legend as described under “Notice to Investors.” Regulation S Notes will be subject to certain restrictions on transfer through and including the 40th day after the later of the commencement of the offering and the original issue date of the notes and also bear a legend as set forth in “Notice to Investors.” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Clearstream, Luxembourg and Euroclear), which may change from time to time. Beneficial interests in the Global Notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See “—Exchange of Book-Entry Notes for Certificated Notes.”

Exchanges between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Restricted Global Note may be exchanged for beneficial interests in the Regulation S Global Note and vice versa only in connection with a transfer of such interest. Such transfers are subject to compliance with the certification requirements described below.

A beneficial interest in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the 40-day period referred to above, only upon receipt by the trustee of a written certificate on behalf of the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of such 40-day period, the interest transferred will be held immediately thereafter through Clearstream, Luxembourg or Euroclear.

A beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the trustee of a written certificate on behalf of the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A, purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Any beneficial interest in one of the Global Notes that is exchanged for an interest in the other Global Note will cease to be an interest in such Global Note and will become an interest in the other Global Note. Accordingly, such interest will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

In connection with any exchange of a beneficial interest in the Regulation S Global Note for a beneficial interest in the Restricted Global Note or vice versa, appropriate adjustments will be made in the records of the registrar to reflect a decrease in the principal amount of such Regulation S Global Note and a corresponding increase in the principal amount of such Restricted Global Note or vice versa, as applicable.

Certain Book-Entry Procedures for Global Notes

DTC advises that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities deposited with it by its participants and facilitates the settlement of transactions among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC’s participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations and certain other organizations, some of whom, and/or their representatives, own DTC. Access to DTC’s book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. DTC’s book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a direct participant. The rules that apply to DTC and its

participants are on file with the SEC. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., The American Stock Exchange, Inc. and the National Association of Securities Dealers.

Clearstream, Luxembourg advises that it is incorporated under the laws of Luxembourg as a bank. Clearstream, Luxembourg holds securities for its customers, and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry transfers between their accounts. Clearstream, Luxembourg provides to Clearstream, Luxembourg customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic securities markets in over 30 countries through established depository and custodial relationships. As a bank, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream, Luxembourg customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers, dealers and banks. Indirect access to Clearstream, Luxembourg is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg customer.

Distributions with respect to the notes held through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures.

Euroclear advises that it was created in 1968 to hold securities for its participants, and to clear and settle transactions between participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interlaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "*Euroclear Operator*") under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation, (the "*Cooperative*"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "*Terms and Conditions*"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions.

Euroclear further advises that investors that acquire, hold and transfer interests in the notes by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the Global Notes.

The Euroclear Operator advises that under Belgian law, investors that are credited with securities on the records of the Euroclear Operator have a co-property right in the fungible pool of interests in securities on deposit with the Euroclear Operator in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of the Euroclear Operator, Euroclear participants would have a right under Belgian law to a return of the amount and type of interests in securities credited to their accounts with the Euroclear Operator. If

the Euroclear Operator did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on the Euroclear Operator's records, all Participants having an amount of interests in securities of such type credited to their accounts with the Euroclear Operator would have the right under Belgian law to the return of their pro rata share of the amount of interests in securities actually on deposit.

Under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it, such as dividends, voting rights and other entitlements, to any person credited with such interests in securities on its records.

Latinclear advises that it is incorporated under the laws of Panama as a corporation. Latinclear holds securities deposited with it by its participants and facilitates the settlement of transactions among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. Latinclear's participants include securities brokers-dealers and banks. Access to Latinclear's book-entry system is also available to others, such as banks, brokers, dealers, trust companies and individual investors that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Latinclear's book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a direct participant. The rules that apply to Latinclear and its participants are on file with the CNV. Latinclear is owned by a number of its Panamanian direct participants and by the Panama Stock Exchange.

Title to book-entry interests in the notes will pass by book-entry registration of the transfer within the records of DTC, Clearstream, Luxembourg, Euroclear or Latinclear, as the case may be, in accordance with their respective procedures. Book-entry interests in the notes may be transferred within Clearstream, Luxembourg and within Euroclear and between Clearstream, Luxembourg, Euroclear and Latinclear in accordance with procedures established for these purposes by Clearstream, Luxembourg, Euroclear and Latinclear. Book-entry interests in the notes may be transferred within DTC in accordance with the procedures established for this purpose by DTC. Transfers of book-entry interests in the notes among DTC and Clearstream, Luxembourg, and Euroclear and Latinclear may be effected in accordance with the procedures established for this purpose by DTC, Clearstream, Luxembourg, Euroclear and Latinclear.

So long as a depository, or its nominee, is the registered owner or holder, as the case may be, of a Global Note, such depository or such nominee, as the case may be, will be considered the sole owner or holder of the book-entry notes represented by such Global Notes for all purposes under the indenture. Except as described below, beneficial owners of book-entry notes will not be entitled to have securities registered in their names, will not receive or be entitled to receive physical delivery of a certificate in definitive form representing securities, and will not be considered the owners or holders of those securities under the Indenture. Accordingly, each person beneficially owning book-entry notes must rely on the procedures of DTC, Clearstream, Luxembourg, Euroclear and Latinclear and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder of notes under the Indenture.

The Issuer will make payments on each series of book-entry notes to DTC, Clearstream, Luxembourg and Euroclear, as the case may be, or their respective nominees, as the sole registered owners and holders of the global securities. The Issuer expects that DTC, Clearstream, Luxembourg and Euroclear, as the case may be, upon receipt of any payment of principal or premium of interest on a Global Note, will credit participants' accounts with payments in amounts proportionate to the respective amounts of book-entry notes held by each participant as shown on the records of DTC, Clearstream, Luxembourg and Euroclear, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in book-entry notes held through those participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name." Payments, however, will be the responsibility of those participants and not of DTC, Clearstream, Luxembourg, Euroclear, the Indenture Trustee or us. Neither the Issuer, the Indenture Trustee nor any of their respective agents will be responsible or liable for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a global security, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

No fees or costs of DTC, Clearstream, Luxembourg, Euroclear or Latinclear will be charged to you.

The Issuer has obtained the foregoing information concerning DTC, Clearstream, Luxembourg, Euroclear and Latinclear from sources the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy of this information.

Exchange of Book-Entry Notes for Certificated Notes

The Issuer will issue certificated notes in exchange for each global security only if:

- DTC, Clearstream, Luxembourg or Euroclear notifies us that it is unwilling or unable to continue as a depository and it does not appoint a successor within 90 days, or
- DTC ceases to be a clearing agency registered under the Exchange Act.

If that occurs, the Issuer will issue notes in certificated form in exchange for such global security. An owner of a beneficial interest in the global security will then be entitled to physical delivery of a certificate for notes equal in principal amount to such beneficial interest, and to have such notes registered in its name. The Issuer would issue the certificates for such notes in initial denominations of \$10,000 or any larger amount that is an integral multiple thereof, and would issue them in registered form only, without interest coupons. Any note in certificated form issued in exchange for an interest in a global security will bear the legend restricting transfer that is borne by such global security. In connection with any such exchange, an appropriate adjustment will be made in the records of the registrar to reflect a decrease in the principal amount of the relevant Global Note. The procedures for payment and registration of transfer applicable to any certificated note that may be issued in the future are set forth in the indenture.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture and not otherwise defined in this offering memorandum. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

“Actual Knowledge” shall mean, with respect to any Person, actual knowledge of any officer (or similar agent) of such Person responsible for the administration of the transactions effected by the Transaction Documents or such officer (or similar agent) as shall have been designated by such Person in one or more Transaction Documents to receive written communications in connection with the relevant Transaction Document(s).

“Affiliate” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. The terms “controlling” and “controlled” have meanings correlative of the foregoing.

“Applicable Law” shall mean, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Business Day” means any day other than a Saturday, Sunday or other day on which banking institutions in New York City, New York or Panama City, Panama are permitted or required by applicable law to remain closed; provided that, with respect to any actions taken or to be taken by the Indenture Trustee, such term also excludes any other day on which such person is not open for business.

“Closing Date” shall mean the date of settlement of the notes offered hereby.

“Collateral” shall mean (A) the Assigned Rights, (B) the Transaction Accounts, (C) any and all other property of every kind and nature from time to time that hereafter is, by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder, by the Issuer or by

any other Person to the Indenture Trustee, which is hereby authorized to receive any and all such property at any time and at all times to hold and apply the same subject to the terms hereof, (D) all “general intangibles” (as such term is defined in the UCC) relating to or arising out of any of the foregoing, and (E) all “proceeds” (as such term is defined in the UCC) of any of the foregoing.

“Controlling Party” shall mean, as of any date of determination, the Noteholders that, in the aggregate, hold more than 50% of the Outstanding Amount of the notes on such date.

“Coverage Differential” as of any date of determination, the amount (if a positive number) of (1)(a) the Proceeds received less (b) deposits made to the Operating Account from the Collection Account during the Reporting Period preceding (or ending on) date minus (2) an amount equal to 1.30 times one-third of the Quarterly Amortization Amount, interest and fees to be paid in respect of the notes on the next Payment Date.

“Debt Service Coverage Ratio” means, on any date of determination, the ratio of (a) the sum of (i) Proceeds received minus (ii) deposits made to the Operating Account from the Collection Account during the Reporting Period (as hereinafter defined) preceding (or ending on) such date to (b) one third of the Quarterly Amortization Amount, Interest, fees and other amounts scheduled to be paid in respect of the notes on the next Payment Date following such date of determination (provided that, for any calculation with respect to a Reporting Period of 24 months, this clause (b) shall mean the sum of the Quarterly Amortization Amount, Interest, fees and such other amounts that would be calculated hereunder for each month in such 24-month period).

“Default” shall mean an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“Depository” shall mean, with respect to the notes, a clearing agency that may be registered as such under the Exchange Act and is designated by the Issuer as Depository for such notes.

“Dollars” or “US\$” shall mean the legal currency of the United States of America, as in effect from time to time.

“DTC” shall mean The Depository Trust Company, a New York corporation.

“Equity Interest” shall mean, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights, or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“Exchange Act” shall mean the Exchange Act of 1934, as amended.

“Final Payment Date” shall mean May 25, 2025.

“Global Notes” shall mean the notes that are in global form (such as the Rule 144A Note and the Regulation S Note), ownership and transfers of beneficial interests in which shall be made through book entries by DTC (or a replacement thereof). If there occurs a condition whereupon book-entry registration and transfer of the Global Notes are no longer permitted and Definitive Notes are to be issued to the Note Owners holding interests in the Global Notes, then such notes shall no longer be Global Notes.

“Governmental Authority” shall mean any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Guarantee” means, as to any Person, any (a) obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“IFRS” shall mean the International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

“Indebtedness” shall mean, as to any Person at a particular time, without duplication, all of the following:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments;
- (c) net obligations of such Person under any Swap Contract;
- (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);
- (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (f) capital leases and Synthetic Lease Obligations;
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and
- (h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

“Instructor” shall mean the Settlor; provided that if the Trustee has been notified that an Event of Default has occurred and is continuing, the Indenture Trustee shall replace the Settlor as Instructor, such replacement to be

effective upon receipt of such notice by the Trustee and ending upon receipt by the Trustee of notice from the Indenture Trustee that (a) such Event of Default has been cured or waived and (b) the Settlor shall be reinstated as Instructor.

“Interest Period” shall mean for the notes: (a) initially, the period from and including the date of issuance of the notes to but excluding the first Payment Date thereafter and (b) thereafter, the period from the end of the preceding Interest Period to but excluding the next Payment Date.

“Interest-Only Period” shall mean the period from and including the Closing Date to but excluding the August 25, 2008 Payment Date.

“Investment” shall mean any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit or otherwise (but excluding any non-delinquent trade receivables payable in the ordinary course of business).

“Lien” shall mean any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

“Make-Whole Premium” shall mean the difference (not to be less than zero) between (a) the present value (compounded on a monthly basis) to such date of the scheduled future principal and interest cash flows from the notes (or portion thereof) being redeemed discounted at a *per annum* rate equal to the then-current bid side yield (as most recently published in the New York edition of *The Wall Street Journal*) on the U.S. Treasury Note having a maturity date closest to the remaining weighted average life on the notes calculated at the time of the prepayment, plus 0.50% *per annum* and (b) the aggregate principal amount of the notes (or portion thereof) to be redeemed pursuant to an optional redemption. Any partial redemption of the notes will be applied to each remaining Quarterly Amortization Amount in inverse order of maturity, and the Make-Whole Premium would be determined after taking this application into consideration.

“Moody’s” shall mean Moody’s Investors Service, Inc. and its successors (including the surviving entity of any merger with another rating agency).

“MOP” means the Ministerio de Obras Públicas (Ministry of Public Works) of Panama.

“Note Owner” shall mean a Person that holds a beneficial interest in a note.

“Noteholder” or “Holder” shall mean a Person in whose name a note is registered.

“Obligations” shall mean the Issuer’s payment obligations under this Indenture and the notes, including obligations for the payment of the Outstanding Amount, interest, Additional Amounts, indemnities and fees.

“Officer” shall mean an officer of the Trustee duly authorized to act on behalf of the Issuer.

“Outstanding Amount” shall mean, as of any date of determination, the outstanding principal balance of the notes on such date after giving effect to any payments made on or before such date for all or any portion of the principal of the notes.

“Person” shall mean an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“Proceeds” means collections in respect of Tolls, receipts pursuant to the Ancillary Service Agreements and proceeds of any business interruption insurance.

“Property” shall mean, with respect to any Person, any right or interest in or to property or other assets (whether owned by such Person or a third party), contract rights and/or revenues of any kind whatsoever, whether real, personal or mixed, whether tangible or intangible and whether existing or to be created in the future.

“QIB” shall mean “qualified institutional buyer” as defined within the Securities Act.

“Rating Agencies” shall mean each of S&P, Moody’s and Fitch.

“Record Date” shall mean, with respect to each Payment Date (or, if applicable, Redemption Date), 5:00 p.m. (New York City time) on the last Business Day of the calendar month preceding such date.

“Redemption Date” shall mean, when used with respect to any note to be redeemed, the date fixed for redemption pursuant to this Indenture.

“Redemption Price” shall mean, as of any date of determination, an amount in Dollars equal to the sum of (a) the aggregate principal amount of the notes outstanding (or, in the case of a partial redemption, the portion of the notes to be redeemed), (b) all accrued and unpaid Interest (if any) on such aggregate principal amount to be redeemed to but excluding the Redemption Date, (c) all unpaid Additional Amounts with respect to the notes, (d) the Make-Whole Premium for the notes (or, in the case of a partial redemption, the portion of the notes to be redeemed) to but excluding the Redemption Date (provided that the Make-Whole Premium will not be payable in connection with a redemption described in “— Optional Redemption for Tax Reasons”) and (e) all other amounts then due and payable under the Transaction Documents in connection with the notes.

“Regulation S Note” shall mean the notes offered and sold in reliance upon Regulation S issued in the form of a single, permanent Global Note in fully registered form, without interest coupons, registered in the name of DTC or its nominee and deposited with the Indenture Trustee, as custodian for such registered Noteholder.

“Reporting Period” means a calendar month, starting with the first complete calendar month following the date hereof; provided that, for purposes of clause (ii) of the covenant described in “—Covenants—Distributions” and the first bullet point of the covenant described in “—Covenants—Reporting Obligations; Access to Books and Records,” the Reporting Period shall mean each 24-month period calculated thereunder.

“Rule 144A Note” shall mean the notes offered and sold in reliance upon Rule 144A issued in the form of a single, permanent Global Note in fully registered form, without interest coupons, registered in the name of DTC or its nominee and deposited with the Indenture Trustee, as custodian for such registered Noteholder.

“Secured Parties” shall mean each of the Indenture Trustee, the Noteholders, the Note Owners and any other Person entitled to payment under the notes and this Indenture; provided that such term shall not include the Issuer or any of its respective Affiliates other than to the extent that such Person is a Noteholder or Note Owner.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Swap Contract” shall mean (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” shall mean, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contract.

“Synthetic Lease Obligation” shall mean the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“S&P” shall mean Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc.

“Taxes” shall mean taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority in Panama, including any penalties or interest thereon (including as a result of the non-payment thereon).

“Tolls” shall mean all tolls collected on the Corredor Sur.

TAXATION

General

The following is a summary of the principal Panamanian tax and U.S. federal income tax considerations relating to the acquisition, purchase, ownership, disposition and retirement of notes by a holder thereof. The summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States and Panama.

This summary is based on the tax laws of Panama and the United States as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions of Panama and the United States available on or before such date and now in effect. All of the foregoing are subject to change, which change could apply retroactively and could affect the continued validity of this summary.

PROSPECTIVE PURCHASERS OF THE SENIOR NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PANAMANIAN, U.S. OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING, IN PARTICULAR, THE APPLICATION TO THEIR PARTICULAR SITUATIONS OF THE TAX CONSIDERATIONS DISCUSSED BELOW, AS WELL AS THE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.

There is currently no tax treaty between the United States and Panama.

Panamanian Taxation

The following is a summary of the principal Panamanian income tax consequences resulting from the beneficial ownership and disposition of the notes by certain persons. This summary is based on the Panamanian tax code of 1956, as amended, other applicable tax laws, decrees and regulations issued thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and is subject to any changes in these or other laws, decrees, regulations and interpretations occurring after such date, possibly with retroactive effect. This summary is intended as a descriptive summary only and is not a complete analysis or listing of all potential Panamanian income tax consequences to holders of the notes. The summary does not address the tax treatment of potential investors that may be subject to special income tax and withholding rules. The summary is not intended as tax advice to any particular investor, nor does it purport to furnish information in the level of detail or with attention to an investor's specific tax circumstances that would be provided by an investor's own tax advisor. Prospective purchasers of the notes are urged to consult their own tax advisors as to the precise Panamanian and other tax consequences of acquiring, owning and disposing of the notes.

Taxation of Interest

Interest payable on the notes will be exempt from income tax or withholding requirements in Panama, provided that the notes are registered with the CNV and are initially placed on an exchange or through an organized market. A filing has been made to register the notes with the CNV and to list the notes on the Panama Stock Exchange. Accordingly, interest payments made on the notes will be exempt from income tax or withholding requirements in Panama; provided, however, that there can be no assurance that these tax benefits will not be changed or revoked by the Panamanian government in the future. Should the notes not be initially placed on the Panama Stock Exchange, interest payments will be subject to a 5% income tax, which would have to be withheld by the Issuer.

Taxation of Dispositions

Upon registration of the notes with the CNV, any capital gains realized by a holder of the notes on the sale or other disposition of notes will be exempt from income tax in Panama, provided that the sale or disposition of the notes is made through an exchange or other organized market, in Panama or outside Panama. The listing and

negotiation of the notes has been authorized by the Panama Stock Exchange. Thus, any gains realized on the sale of the notes on this exchange will be exempt from income tax in Panama. In addition, any capital gains realized by a holder of notes who is not resident in Panama on the sale or other disposition of notes that is executed and effected outside of Panama, and which payment thereof is made outside of Panama, by a purchaser who is not resident in Panama, will not be deemed Panama source income and therefore will not be subject to income tax in Panama. Losses recognized on the sale or disposition of notes will likewise be disallowed as a deduction for income tax purposes in Panama. If capital gains are taxable, the tax treatment would vary depending on whether the notes have been held by the investor for more than twenty-four months or not. If notes are held for more than twenty-four months, the holders can opt to pay a flat ten percent (10%) income tax on any capital gain. If the notes are held for twenty-four months or less, the holders must report any capital gains on its annual tax return and pay income tax at the ordinary income tax rate applicable, which for corporations is thirty percent (30%) and for individuals is set according to a progressive table.

Stamp and Other Taxes

Upon registration of the notes with the CNV, the notes will not be subject to stamp, registration or similar taxes. There are no sales, transfer or inheritance taxes applicable to the sale or disposition of the notes.

Foreign Investors

A person domiciled outside of Panama is not required to file a tax return in Panama, solely by reason of his or her investment in the notes, provided that gains realized on the sale and disposition of the notes are exempt from income tax as indicated above.

U.S. Taxation

The following summary describes certain of the principal U.S. federal income and withholding tax consequences to beneficial owners arising from the acquisition, purchase, ownership, disposition and retirement of the notes by a holder thereof. This summary is based on the Code, U.S. Treasury regulations (proposed and final) issued under the Code, and administrative and judicial interpretations of the Code and U.S. Treasury regulations, each as in effect and available as of the date hereof. The Code, U.S. Treasury regulations, and interpretations may, however, change at any time, and any change could be retroactive to the issuance date of the notes.

Except where noted, this summary deals with only notes held as capital assets (as defined in the Code). It does not address all of the tax consequences that may be relevant to a holder. In addition, except where noted, this summary does not address any of the tax consequences to (i) holders that may be subject to special tax treatment, such as dealers or traders in securities or currencies, financial institutions, tax-exempt organizations, insurance companies, real estate investment trusts, regulated investment companies, or grantor trusts, (ii) persons that will hold the notes as a part of a position in a straddle or as part of a hedging, conversion, or integrated investment transaction, or (iii) persons whose “functional currency” is not the U.S. dollar. Moreover, this summary does not address U.S. federal estate, gift, or alternative minimum tax consequences to a holder, any state, local, or foreign tax consequences to a holder, or the U.S. federal income tax treatment of any holder that does not acquire notes as part of their initial distribution at their initial issue price.

PERSONS CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SENIOR NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

As used herein, the term “U.S. Holder” of the notes means a beneficial owner of the notes that, for U.S. federal income tax purposes, is (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust that (1) validly elects to be treated as a U.S. person for U.S.

federal income tax purposes or (2) the administration over which a U.S. court can exercise primary supervision and all of the substantial decisions of which one or more U.S. persons have the ability to control. The term “Non-U.S. Holder” means a beneficial owner of a notes that is not a U.S. Holder.

If a partnership (or any other entity, whether or not organized in or under the laws of the United States or any political subdivision thereof, treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

U.S. Holders

Interest

Interest paid on a Note, including any additional amounts, will be includible in a U.S. Holder’s gross income as ordinary interest income in accordance with the U.S. Holder’s usual method of tax accounting. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute passive income, or, in the case of certain U.S. Holders, financial services income. U.S. Holders should note, however, that recently enacted legislation eliminates the “financial services income” category with respect to taxable years beginning after December 31, 2006. Under this legislation, the foreign tax credit limitation categories will be limited to “passive category income” and “general category income.”

ICA Panama may, at any time (for any reason) after the third anniversary of the date of issuance of the Notes, upon not less than 30 nor more than 60 days’ prior written notice to the Issuer and the Indenture Trustee, require the Issuer to redeem, in whole or in part, the Notes. Under the U.S. Treasury regulations regarding Notes issued with original issue discount (“OID”), the yield to maturity of a debt instrument will be based upon the instrument’s stated payment schedule if such schedule is significantly more likely than not to occur. In addition, such Treasury regulations contain special rules for determining the maturity date and the stated redemption price at maturity of a debt instrument where the issuer of such debt instrument has an unconditional option to make payments under such debt instrument under an alternative payment schedule. Under such rules, it is assumed that the issuer of such debt instrument will exercise an option to redeem a debt instrument if such exercise will lower the yield to maturity of such debt instrument. Since payments pursuant to the stated payment schedule of the Notes are significantly more likely than not to occur and the Issuer does not have an option to redeem the Notes which would lower the yield to maturity of the Notes, the Issuer will disregard the optional redemption provisions of the Notes in determining the amount or timing of any OID inclusions thereon.

Sale, Exchange or Retirement

Upon the sale, exchange or retirement of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement, other than accrued but unpaid interest which will be taxable as such, and such U.S. Holder’s adjusted tax basis in the note. A U.S. Holder’s adjusted tax basis in a note generally will equal the issue price of the note. Any such gain or loss will be capital gain or loss. In the case of a noncorporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder’s holding period for the notes exceeds one year. Any gain or loss realized on the sale, exchange or retirement of a note generally will be treated as U.S. source gain or loss, as the case may be. Under certain circumstances described under “—Panamanian Taxation” above, you may be subject to Panamanian tax upon the disposition of your notes. In such circumstances and subject to applicable limitations under the Code, you may elect to treat the gain as foreign source income and to credit the Panamanian tax against your U.S. federal income tax liability with respect to the gain. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Interest paid to a Non-U.S. Holder generally will not be subject to U.S. federal income and withholding tax provided the income is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States.

Subject to the discussion below under “—U.S. Backup Withholding Tax and Information Reporting,” payments of interest on a note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

In general, a backup withholding tax and information reporting requirements will apply to certain payments of principal of, and interest on, a Note and to the proceeds from the sale of a Note, made to U.S. Holders other than certain exempt recipients (such as corporations). Information reporting generally will apply to payments of principal of, and interest on, a note and to proceeds from the sale or redemption of a note made within the United States to U.S. Holders (other than exempt recipients, including corporations, payees that are not U.S. persons that provide an appropriate certification and certain other persons). Backup withholding tax at a rate of 28% (such rate being applicable through 2010) will apply to payments made within the United States on a note to a U.S. Holder, other than an exempt recipient, such as a corporation, if the U.S. Holder (i) fails to provide its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements, or (ii) in the case of interest payments, fails either to report in full dividend and interest income or to make certain certifications.

Information reporting and back-up withholding may also apply to dividends and proceeds paid outside the United States that are paid by certain “U.S. payors” or “U.S. middlemen,” as defined in the applicable U.S. Treasury regulations, including:

- a U.S. person;
- a controlled foreign corporation;
- a foreign partnership that is either engaged in a U.S. trade or business or whose United States partners in the aggregate hold more than 50% of the income or capital interests in the partnership; or
- a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States.

Back-up withholding and information reporting will not apply to payments made to Non-U.S. Holders if they have provided the required certification that they are not United States persons.

In the case of payments by a payor or a middleman to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or foreign partnership that qualifies as a withholding foreign trust or a withholding foreign partnership within the meaning of the U.S. Treasury regulations and that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability provided that the required information is furnished to the Internal Revenue Service.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

CERTAIN ERISA CONSIDERATIONS

ERISA and the Code impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (b) plans, accounts and other arrangements subject to Section 4975 of the Code, including individual retirement arrangements and “Keogh plans,” (c) entities whose underlying assets are considered to include plan assets of such plans, accounts and arrangements (each of (a), (b) and (c) an “*ERISA Plan*”) and (d) persons who have certain specified relationships to an ERISA Plan (“parties in interest” under ERISA and “disqualified persons” under the Code, hereinafter collectively a “*Party in Interest*”). Moreover, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 114 S.Ct. 517 (1993), the general account of an insurance company may be deemed to include assets of ERISA Plans investing in its general account (e.g., through the purchase of an annuity contract), and the insurance company might be treated as a Party in Interest with respect to an ERISA Plan by virtue of such an investment.

Certain employee benefit plans, such as plans maintained by a non-U.S. corporation, governmental plans (as defined in Section 3(32) of ERISA) or church plans (as defined in Section 3(33) of ERISA) (if no election has been made under Code Section 410(d) by the church plan), while not subject to the fiduciary responsibility and prohibited transaction provisions of ERISA or Section 4975 of the Code, may be subject to federal, state, local, non-U.S. or other laws or regulations that contain provisions that are similar to the fiduciary responsibility and prohibited transaction provisions of ERISA or Section 4975 of the Code (“*Similar Laws*”). For example, any governmental or certain church plans that are qualified under Code Section 401(a) and exempt from taxation under Code Section 501(a) are subject to certain prohibited transaction rules set forth in Code Section 503. Fiduciaries of any such non-U.S., governmental or church plan should consult with their counsel before purchasing the notes.

In considering an investment in the notes of a portion of the assets of any plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the plan and the applicable provisions of ERISA, the Code or any Similar Laws relating to a fiduciary’s duties to the plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws. Furthermore, prior to investing in the notes, each fiduciary of an ERISA Plan or other employee benefit plan subject to Similar Laws should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan’s portfolio with respect to diversification by type of asset; the plan’s funding objectives; the tax effects of the investment; and whether under ERISA’s general fiduciary standards of investment prudence and diversification or applicable standards under Similar Laws, an investment in the notes is appropriate for the plan, taking into account the overall investment policy of the plan and the composition of the plan’s investment portfolio.

Plan Asset Issues

ERISA and Section 4975 of the Code prohibit certain transactions between an ERISA Plan and Parties in Interest with respect to such ERISA Plan, unless an exemption is available. A violation of these “prohibited transaction” rules may result in an excise tax or other penalties and liabilities under ERISA and/or the Code for such Parties in Interest and the fiduciaries of the ERISA Plan. Certain transactions involving the Issuer and certain other persons might be deemed to constitute a non-exempt prohibited transaction under ERISA and/or the Code with respect to an ERISA Plan that purchased the notes if the assets of the Issuer were deemed to be assets of such ERISA Plan.

Under a United States Department of Labor (the “*DOL*”) regulation codified at 29 C.F.R. Section 2510.3-101 (the “*Plan Assets Regulation*”), if an ERISA Plan invests in an equity interest of an entity that is neither a “publicly-offered security” nor a security issued by an investment company under the Investment Company Act, the ERISA Plan’s assets are deemed to include both the equity interest and an undivided interest in each of the entity’s underlying assets unless it is established either that equity participation in the entity by “benefit plan investors” is not significant or that the entity is an “operating company,” in each case as defined in the Plan Assets Regulation. It is not anticipated that (i) the notes will constitute “publicly-offered securities” for purposes of the Plan Assets Regulation or (ii) the Issuer will be an investment company registered under the Investment Company Act. It is possible that the Issuer may not qualify as an operating company within the meaning of the Plan Assets Regulation. Accordingly, if the notes are equity interests of the Issuer, the Issuer’s assets would be deemed to be assets of each ERISA Plan investor that holds an equity interest in the Issuer. In such case, (i) certain transactions involving the

Issuer might be deemed to constitute direct or indirect prohibited transactions under ERISA and Section 4975 of the Code with respect to such ERISA Plan investor, (ii) the Local Trustee and other persons, in providing services with respect to the Issuer's assets, may become fiduciaries or other Parties in Interest with respect to such an investing ERISA Plan, and (iii) the fiduciary making the investment in the notes on the ERISA Plan's behalf may be deemed to have improperly delegated its asset management responsibility to the persons having authority and control over the Issuer's assets.

The Plan Assets Regulation defines an equity interest as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Although the Plan Assets Regulation is silent with respect to the question of which law constitutes applicable local law for this purpose, the DOL has stated that these determinations should be made under the state law governing interpretation of the instrument in question. In the preamble to the Plan Assets Regulation, the DOL declined to provide a precise definition of what features are equity features or the circumstances under which such features would be considered "substantial," noting that the question of whether an ERISA Plan's interest has substantial equity features is an inherently factual one, but that in making a determination it would be appropriate to take into account whether the equity features are such that an ERISA Plan's investment would be a practical vehicle for the indirect provision of investment management services. The Issuer believes that, at the time of their issuance, the notes should be treated as indebtedness without substantial equity features for purposes of the Plan Assets Regulation. However, there can be no assurance that the notes would be characterized by the DOL or others as indebtedness on the date of issuance or at any given time thereafter. In addition, the status of the notes as indebtedness could be affected, subsequent to their issuance, by certain changes in the structure or financial condition of the Issuer.

Prohibited Transaction Issues

Without regard to whether the notes are treated as equity interests of the Issuer, the acquisition or holding of the notes by or on behalf of an ERISA Plan could be considered to give rise to a prohibited transaction if the Issuer, an initial purchaser, the Local Trustee, or any of their respective affiliates, is or becomes a Party in Interest with respect to such ERISA Plan. Certain exemptions from the prohibited transaction rules could, however, be applicable to the purchase and holding of the notes by an ERISA Plan depending on the type and circumstances of the ERISA Plan fiduciary making the decision to acquire such notes. Included among these exemptions, each of which contains several conditions which must be satisfied before the exemption applies, are: Prohibited Transaction Class Exemption ("PTCE") 90-1, regarding investments by insurance company pooled separate accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding transactions effected by "qualified professional asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; and PTCE 96-23, regarding transactions effected by certain "in-house asset managers." It should be noted, however, that even if the conditions specified in one or more of these exemptions are met, the scope of relief provided by such exemptions may not necessarily cover all acts relating to the acquisition and holding of the notes by an ERISA Plan that might be construed as prohibited transactions under ERISA or Section 4975 of the Code.

Because of the foregoing, the notes, and any interest therein, may not be purchased or held by any ERISA Plan or any employee benefit plan subject to Similar Laws or any person investing assets of any ERISA Plan or such an employee benefit plan unless such purchase, holding and disposition will not constitute a non-exempt prohibited transaction under ERISA or the Code or a violation of any applicable Similar Law.

Representation

Each purchaser or holder of the notes or any interest therein will be deemed to have represented and agreed by its purchase and holding thereof that (a) either (1) it is not, and is not acting on behalf of, an ERISA Plan or a governmental, church or non-U.S. plan which is subject to Similar Laws, and no part of the assets to be used by it to purchase or hold such notes or any interest therein constitutes the assets of any ERISA Plan or such a governmental, church or non-U.S. plan, or (2) its purchase, holding and disposition of such notes does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of Similar Laws); and (b) it will not sell or otherwise transfer such notes or any interest therein otherwise than to a purchaser or transferee that is deemed to represent and agree with respect to its purchase, holding and disposition of such notes to the same effect as the purchaser's representation and agreement set forth in this sentence.

Prospective investors that are insurance companies should also consult with their legal advisors prior to investment of their general account assets in the notes concerning the impact of the decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust & Savings Bank* and Section 401(c) of ERISA (including the DOL regulations thereunder), and the extent to which exemptive relief under PTCE 95-60 will apply, with respect to any such investment.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, prior to making an investment in the notes, prospective ERISA Plan and other employee benefit plan investors should consult with their legal advisors concerning the impact of ERISA, the Code and applicable Similar Laws and the potential consequences of such investment with respect to their specific circumstances, including whether any prohibited transactions under ERISA or the Code or a violation of any Similar Laws may result from such investment and whether any exemption would be applicable, and determine on their own whether all conditions of any prohibited transaction exemption or exemptions have been satisfied such that the acquisition and holding of the notes by such investor are entitled to full exemptive relief thereunder.

NOTICE TO INVESTORS

Because of the following restrictions under U.S. law, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes. The notes have not been registered under the Securities Act or the securities law of any state or any jurisdiction other than Panama and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person (as such term is defined under the Securities Act), except pursuant to an effective registration statement or in accordance with an available exemption from the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only (i) to “qualified institutional buyers” as defined in Rule 144A, in reliance on Rule 144A, and (ii) outside the United States to persons other than U.S. persons (“foreign purchasers,” which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for beneficial owners (other than an estate or trust) who are not U.S. persons), in reliance upon Regulation S under the Securities Act.

Investor Representations and Restrictions on Resale

Each purchaser of the notes offered hereby, in accordance with U.S. law, will be deemed, in making its purchase, to have represented and agreed as follows:

- The purchaser is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account (i) is a qualified institutional buyer, and is aware that the sale to it is being made in reliance on Rule 144A, or (ii) is a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary of the kind referred to above).
- The purchaser acknowledges that the notes have not been registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred in the United States or to, or for the account or benefit of, any U.S. person except as set forth below.
- If the purchaser is not a foreign purchaser, it agrees that, if it should resell or otherwise transfer the notes it will do so only (a)(i) to a person who such purchaser reasonably believes is a qualified institutional buyer acquiring for its own account or the account of a qualified institutional buyer and such purchaser has been informed that the transfer is being made in reliance on Rule 144A, (ii) outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iv) to an institutional investor that is an “accredited investor” as defined in Rule 501(A)(1), (2), (3) or (7) of Regulation D under the Securities Act pursuant to an exemption from registration thereunder (if available) and (b) in each case (i) through (iv), in accordance with all applicable securities laws of the states of the United States and other jurisdictions.
- (a) Either (1) it is not, and is not acting on behalf of, an employee benefit plan or other plan subject to the prohibited transaction provisions of ERISA, or Section 4975 of the Code, or any entity which may be deemed to hold assets of any such plan, or a governmental, church or non-U.S. plan which is subject to any federal, state, local or non-U.S. law that is similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, and no part of the assets to be used by it to purchase or hold the notes or any interest therein constitutes the assets of any such employee benefit plan or plan, or (2) its purchase, holding and disposition of the notes does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any similar federal, state, local or non-U.S. law); and (b) it agrees not to sell or otherwise transfer any interest in the notes otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase, holding and disposition of such notes.

- If the purchaser is not a foreign purchaser, it understands that the notes offered in reliance on Rule 144A initially will be represented by the Restricted Global Note and that, before interests therein may be transferred to any person who takes delivery in the form of the Regulation S Global Note, the transferor will be required to provide the Trustee with a written certification (the form of which can be obtained from the Indenture Trustee) to the effect that the transfer complies with Rule 904 of Regulation S, as described under “Description of the Notes—Book-Entry System; Delivery and Form.” The purchaser further understands that the Rule 144A Notes will bear a legend to the following effect unless we determine otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA. THE HOLDER HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) AGREES TO OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) BEFORE THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL DATE OF ISSUANCE OF THIS NOTE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN OR ANY PREDECESSOR HERETO), ONLY: (a) TO THE ISSUER, (b) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (c) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A (“RULE 144A”) UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A (A “QIB”) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (d) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT FOR OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES OR (e) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS, SUBJECT TO THE RIGHT OF THE ISSUER AND THE BANK OF NEW YORK, AS INDENTURE TRUSTEE (THE “INDENTURE TRUSTEE”), BEFORE ANY OFFER, SALE OR OTHER TRANSFER PURSUANT TO CLAUSE (e), TO REQUIRE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS, AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, THE BANK AND THE INDENTURE TRUSTEE. IN ADDITION, ANY SUCH TRANSFERS MUST OTHERWISE BE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA, THE REPUBLIC OF PANAMA AND ANY OTHER APPLICABLE JURISDICTION.

EACH DIRECT OR INDIRECT HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), IS DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER: (a) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF, AN “EMPLOYEE BENEFIT PLAN” AS DESCRIBED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO TITLE I OF ERISA OR A “PLAN” SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE ACT OF 1986, AS AMENDED (THE “CODE”), OR A GOVERNMENTAL PLAN OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR THE CODE, OR AN ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN, OR (b) ITS PURCHASE AND HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA, SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW.

- If the purchaser is a foreign purchaser, it understands that the notes offered in reliance on Regulation S initially will be represented by the Regulation S Global Note and that interests therein may be held only through Clearstream, Luxembourg (and, indirectly, Latinclear) or Euroclear through and including the 40th day after the later of the commencement of the offering and the original issue date of the notes, as described under “Description of the Notes—Book-Entry System; Delivery and Form.” The purchaser further understands that the Regulation S Notes will bear a legend to the following effect unless we determine otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA. THE HOLDER HEREOF (OR A BENEFICIAL INTEREST HEREIN) BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) AGREES TO OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) ONLY: (a) TO THE ISSUER, (b) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (c) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A (“RULE 144A”) UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTION BUYER AS DEFINED IN RULE 144A (A “QIB”) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (d) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT FOR OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES OR (e) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS, SUBJECT TO THE RIGHT OF THE ISSUER AND THE BANK OF NEW YORK, AS INDENTURE TRUSTEE (THE “INDENTURE TRUSTEE”), BEFORE ANY OFFER, SALE OR OTHER TRANSFER PURSUANT TO CLAUSE (e), TO REQUIRE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS, AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER AND THE INDENTURE TRUSTEE; PROVIDED THAT NO SUCH OFFER OR SALE MADE PRIOR TO THE DATE 40 DAYS AFTER THE DATE HEREOF SHALL BE MADE TO A U.S. PERSON FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (OTHER THAN A DISTRIBUTOR). IN ADDITION, ANY SUCH TRANSFERS MUST OTHERWISE BE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA, THE REPUBLIC OF PANAMA AND ANY OTHER APPLICABLE JURISDICTION.

EACH DIRECT OR INDIRECT HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), IS DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER: (a) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF, AN “EMPLOYEE BENEFIT PLAN” AS DESCRIBED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO TITLE I OF ERISA OR A “PLAN” SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE ACT OF 1986, AS AMENDED (THE “CODE”), OR A GOVERNMENTAL PLAN OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR THE CODE, OR AN ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN, OR (b) ITS PURCHASE AND HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA, SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW.

- It will deliver to each person to whom it transfers any of the notes notice of any restrictions on transfer of such notes.
- It understands that it may be required to hold the notes indefinitely and that it must continue to bear the economic risk of an investment in the notes unless an exemption from registration under the Securities Act is available.
- If the purchaser is not a foreign purchaser, it has the financial ability to bear the economic risk of an investment in the notes and to withstand the loss of its entire investment in the notes; and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the notes for itself and has determined that the notes are a suitable investment for it, both in the nature and the principal amount of the notes being acquired.
- It has received such information concerning us and the notes, and has been given the opportunity to ask such questions of and receive answers from our representatives as it deems sufficient, based on information provided by us to it, to make an informed investment decision with respect to the notes; it acknowledges that no person has been authorized to make any representation concerning us, other than as contained in any information provided to it by us and, if made, any such representation must not be relied upon as having been authorized by us, the representative(s) or any person acting on either of their behalf.
- The purchaser acknowledges that we, the representative(s) and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements; and agrees that if any of the acknowledgments, representations or warranties deemed to have been made by it by its purchase of the notes are no longer accurate, it shall promptly notify us and the representative(s). If it is acquiring any of the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations and agreements on behalf of each such account.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement among the Issuer, ICA Panama and the Merrill Lynch, Pierce, Fenner & Smith Incorporated, as initial purchaser, the Issuer has agreed to sell to the initial purchaser and the initial purchaser has agreed to purchase from the Issuer, the principal amount of the notes listed opposite its name below, less any notes previously purchased on the Panama Stock Exchange.

<u>Initial Purchaser</u>	<u>Principal Amount</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US\$ 150,000,000
Total	<u>US\$ 150,000,000</u>

Subject to the terms and conditions contained in the purchase agreement, the initial purchaser has agreed to purchase all of the notes being sold pursuant to the purchase agreement that are not purchased by investors through Local Brokers (as defined below) in Panama. See “—Initial Offering.” The initial purchaser has advised the Issuer that it proposes initially to offer the notes that it purchases from the Issuer at the price listed on the cover page of this offering memorandum.

Each of the Issuer and ICA Panama has agreed to indemnify the initial purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchaser may be required to make in respect of those liabilities.

The initial purchaser is offering the notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel and other conditions contained in the purchase agreement, such as the receipt by the initial purchaser of officer’s certificates and legal opinions and the listing of the notes on the Panama Stock Exchange. The initial purchaser reserves the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Although, as a result of registration with the CNV and listing on the Panama Stock Exchange, the notes may be publicly traded in Panama, gains realized from certain sales or other dispositions of notes in Panama may in certain circumstances be subject to income tax in Panama. For further discussion on Panamanian taxation issues, see “Taxation—Panamanian Taxation.”

Initial Offering

The notes will be listed on, and offered by the Issuer through, the Panama Stock Exchange. The annual interest rate on the notes will be announced by the Issuer prior to the determination of the price of the notes. Additionally, potential investors may contact the initial purchaser to obtain the interest rate on the notes.

Between 9:30 a.m. and 10:00 a.m. Panama time on the date the Issuer offers the notes through the Panama Stock Exchange, each person registered as a member of the Panama Stock Exchange (a “*Local Broker*”) will be permitted to submit bids for the notes. At 10:00 a.m. Panama time, the initial purchaser will submit its bid for the notes through BG Investment Co., Inc., a Local Broker. The aggregate principal amount of the bids for the notes that the Issuer will accept from Local Brokers and the initial purchaser will equal the aggregate principal amount of the notes set forth on the cover page of this offering memorandum. Bids accepted from Local Brokers will be at prices equal to or higher than the price at which the notes will be initially offered to investors, which is set forth on the front cover page of this offering memorandum.

Subject to the satisfaction of certain conditions, on the settlement date for the notes, Local Brokers whose bids were accepted by the Issuer will receive beneficial interests in the Regulation S Global Note directly from the Issuer, through Latinclear. The initial purchaser will receive beneficial interest in the notes directly from the Issuer, through Latinclear, and the initial purchaser will subsequently transfer such beneficial interests to subsequent

purchasers through such subsequent purchaser's participant accounts in DTC, Clearstream, Luxembourg or Euroclear, as the case may be.

If the closing under the purchase agreement between the Issuer and the initial purchaser does not occur on the Closing Date for the notes, and notes are delivered against payment from Local Brokers, the extraordinary mandatory redemption provisions of the notes will enter into effect and all notes will be redeemed. See "Description of the Notes—Extraordinary Mandatory Redemption."

Pricing; Expenses; Commission

The initial purchaser has advised the Issuer that it proposes initially to offer the notes at the price listed on the cover page of the final offering memorandum. After the initial offering, the price to investors may be changed.

The Local Broker through whom the initial purchaser will submit its bid for the notes, will receive a fee of US\$27,500 in connection with this offering.

The expenses of the offering, not including the initial purchaser's fee, are estimated to be US\$12,078,450 and are payable by the Issuer.

Notes Are Not Being Registered

The initial purchaser proposes to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. The initial purchaser will not offer or sell the notes except:

- to persons it reasonably believes to be qualified institutional buyers, or
- pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S.

Notes sold pursuant to Regulation S may not be offered or resold in the United States or to U.S. persons (as defined in Regulation S), except under an exemption from the registration requirements of the Securities Act or under a registration statement declared effective under the Securities Act.

Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The notes are a new issue of securities with no established trading market. The Issuer does not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system other than the Panama Stock Exchange. The initial purchaser has advised the Issuer that it presently intends to make a market in the notes after completion of this offering. However, it is under no obligation to do so and may discontinue any market-making activities at any time without any notice.

There is no assurance that a liquid or active public trading market for the notes will develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the Issuer's performance and other factors.

Price Stabilization and Short Positions

In connection with the offering, the initial purchaser may engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the initial purchaser creates a short position in the notes in connection with the offering, *i.e.*, if it sells more notes than are listed on the cover page of this offering memorandum, the initial purchaser may reduce that short position by

purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Issuer nor the initial purchaser makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither the Issuer nor the initial purchaser makes any representation that the initial purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchaser and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Local Broker, ICA Panama and their respective affiliates. The initial purchaser has received customary fees and commissions for these transactions.

In addition, the initial purchaser and its affiliates have engaged in hedging transactions with ICA Panama and its affiliates in connection with the issuance of the notes, including the transaction described in Note 10 to the unaudited interim financial statements. To the extent that ICA Panama or its affiliates owe to the initial purchaser or its affiliates any amounts in respect of such hedging arrangements as of the Closing Date, the initial purchaser is authorized to deduct such amounts from the proceeds of the offering of the notes paid to the Issuer.

Local Broker

BG Investment Co., Inc., as a Local Broker acting on behalf of the Issuer, will hold the notes on behalf of the Issuer, prior to the offering of the notes on the Panama Stock Exchange. BG Investment Co., Inc. is a company incorporated under the laws of the Republic of Panama as a *sociedad anónima*, and is located at Calle Aquilino de la Guardia y Avenida Quinta B Sur; Panama City, Republic of Panama, and may be contacted at the above address, by telephone at (507) 210-8021 and by fax at (507) 265-0248.

LEGAL MATTERS

The validity of the notes and certain matters governed by U.S. federal and New York state law will be passed upon for ICA Panama by White & Case LLP. Certain matters governed by Panamanian law will be passed upon for ICA Panama by Galindo, Arias & Lopez. Certain matters governed by U.S. federal and New York state law will be passed upon for the initial purchaser by Mayer, Brown, Rowe & Maw LLP, U.S. counsel to the initial purchaser. Certain matters governed by Panamanian law will be passed upon for the initial purchaser by Arias, Fábrega & Fábrega, Panamanian counsel to the initial purchaser.

INDEPENDENT AUDITORS

The audited financial statements of ICA Panama as of and for the years ended December 31, 2004, 2003 and 2002 included in this offering memorandum have been audited by Deloitte, Inc. (Panamá) (“*Deloitte*”), a member firm of Deloitte Touche Tohmatsu, independent auditors. Deloitte is located at Calle Elvira Mendez, Edificio Bank Boston, Piso 20, Apartado 5226, Panama 5, Panama. The telephone number at Deloitte is (507) 263-9900 and the facsimile number is (507) 269-2386. The website for Deloitte is www.deloitte.com.pa, and their e-mail address is info@deloitte.com.pa.

INDEPENDENT TRAFFIC CONSULTANT

The Independent Traffic Study included in Annex B to this offering memorandum has been prepared by Halcrow Group Limited, and is included herein upon reliance upon the authority of such firm as a traffic consultant. The Independent Traffic Study should be read in its entirety by prospective investors for the information contained therein with respect to the Corredor Sur and related matters.

LISTING AND GENERAL INFORMATION

Except as otherwise indicated herein, there has been no material adverse change, or any development involving a prospective material adverse change, in or affecting the Issuer’s condition, financial position, management, properties, shareholders’ equity, earnings, business affairs, business prospects or result of operations. The Issuer is not involved in any litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the Issuer of the notes or which would materially and adversely affect the Issuer’s ability to meet its obligations under the notes, except as set forth in this offering memorandum under “The Corredor Sur—Legal Proceedings,” and so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

The notes sold in offshore transactions in reliance on Regulation S under the Securities Act and represented by the Regulation S Global Note have been accepted through Clearstream, Luxembourg and Euroclear under Common Code 022014285 and ISIN No. XS0220142854. The CUSIP number for the Global Note sold to qualified institutional buyers is 055443AA3.

The Issuer will comply with the reporting and other requirements of Panamanian securities law applicable to companies who have registered their securities with the CNV, as well as the requirements of the Panama Stock Exchange.

TRUSTEE, SECURITY REGISTRAR, PAYING AGENT AND TRANSFER AGENT

The Bank of New York will be the trustee, security registrar, paying agent and transfer agent for the notes. The Bank of New York is located at 101 Barclay Street, New York, New York, 10286, Attention: Global Structured Finance Unit.

CLEARINGHOUSE IN PANAMA

Latinclear is the clearinghouse in Panama for the notes. Latinclear may be contacted at P.O. Box 87-4009, Panama 7, Republic of Panama or by telephone at +(507) 214-6105 or by fax at +(507) 214-8175.

INDEX OF DEFINED TERMS

Actual Knowledge	106	Holder	109
Additional Amounts	28, 88	ICA Panama	i
Affiliate	106	ICATECH	2
Ancillary Service Agreement	6	IFC	1
Applicable Law	106	IFC Financing Trust	44
Assigned Rights	6	IFC Loan	1
Assigned Rights Pledge Agreement	9	IFRS	18, 108
Assignment Agreement	2	Indebtedness	108
Business Day	11, 106	Indenture	8
Clearstream, Luxembourg	102	Indenture Trustee	8
Closing Date	11, 106	Independent Engineer	23
CNV	ii	Independent Engineering Report	23
Code	29	Independent Traffic Consultant	23
Collateral	107	Independent Traffic Report	23
Collection Account	9	Independent Traffic Study	4
Concession Contract	1	Initial Litigation Reserve Balance	15
Concessionaire	1	initial purchaser	i
Control Agreement	9	Instructor	7, 109
Controlling Party	17, 107	Insurance Account	9
Cooperative	104	Interest	8, 87
Corredor Sur	1	Interest Period	109
Corredor Sur Trust	1	Interest Rate	87
Coverage Differential	20, 107	Interest-Only Period	8, 109
Debt Service Coverage Ratio	20, 107	Investment	109
Debt Service Reserve Account	9	Issuer	1
Default	107	Latinclear	102
Deloitte	18, 127	Lien	109
Depository	107	Litigation Reserve Account	9, 15
DOL	117	Local Broker	29, 124
Dollars	107	Local Trustee	1
DTC	107	Major Maintenance Budget	12
Empresas ICA	2	Major Maintenance Reserve Account	9
Equity Interest	107	Make-Whole Premium	26, 109
ERISA	29	Master Agreement	111
ERISA Plan	117	Maxipista	2
Euroclear	102	Merrill Lynch	i
Euroclear Operator	104	Monthly Reporting Date	18, 91
Events of Default	25, 95	Monthly Transfer Date	10
Excess Cash Flow Account	9	Monto Recuperable Account	9
Exchange Act	107	Moody's	109
Excluded Rights	6	MOP	1, 109
Existing Legal Proceedings	15	New York Business Day	8
Expense Budget	10	New York Courts	102
Final Payment Date	7, 107	Note Issuance Proceeds Account	9
Fitch	29	Note Owner	109
Global Notes	102, 107	Noteholder	8, 109
Governmental Authority	108	O&M Agreement	2
Guarantee	108	Obligations	109
Guaranty Trust Agreement	2	Officer	109
Guaranty Trust Assets	86	Operating Account	9
Guaranty Trust Assigned Rights	86	Operator	2
Guaranty Trust Excluded Rights	86	Original Concession Land Rights	6
Halcrow	iii	Outstanding Amount	109

PAEM.....	69
Paitilla Airport.....	5
Party in Interest.....	117
Payment Date.....	8
Person.....	110
Plan Assets Regulation.....	117
Proceeds.....	20, 110
Property.....	110
PTCE.....	118
QIB.....	29, 110
Qualified Reserve LC Bank.....	14
Quarterly Amortization Amount.....	8, 88
Rating Agencies.....	110
Record Date.....	110
Redemption Date.....	110
Redemption Price.....	26, 110
Register.....	99
Regulation S.....	29
Regulation S Global Note.....	102
Regulation S Note.....	110
Relevant Withholding Taxes.....	88
Reporting Period.....	20, 110
Required Debt Service Reserve Balance.....	13
Required Litigation Reserve Balance.....	16
Required Major Maintenance Reserve Balance.....	12

Reserve LC.....	14
Restricted Global Note.....	102
Rule 144A.....	29
Rule 144A Note.....	110
Rule 144A Notes.....	102
S&P.....	29, 111
SEC.....	ii
Secured Parties.....	8, 110
Securities Act.....	i, 110
Senior Debt Account.....	9
Share Retention and Undertakings Agreement.....	17
Similar Laws.....	117
Swap Contract.....	111
Swap Termination Value.....	111
Synthetic Lease Obligation.....	111
Taxes.....	28, 111
Termination and Release Agreement.....	20
Terms and Conditions.....	104
Tolls.....	1, 111
Transaction Accounts.....	9
Transaction Documents.....	20
Trust Agreement.....	1
Trust Law.....	1
US\$.....	107

INDEX TO FINANCIAL STATEMENTS

	<u>PAGE</u>
Unaudited Interim Financial Statements of ICA Panama, S.A.	
Balance Sheets as of March 31, 2005 and 2004	F-4
(Loss) Income Statements for the three months ended March 31, 2005 and 2004	F-5
Statements of Stockholders' Equity for the three months ended March 31, 2005 and 2004	F-6
Statements of Cash Flows for the three months ended March 31, 2005 and 2004	F-7
Notes to Unaudited Interim Financial Statements	F-9
 Audited Financial Statements of ICA Panama, S.A.	
Report of Independent Auditors	F-31
Balance Sheets as of December 31, 2004 and 2003	F-32
Income Statements for the years ended December 31, 2004, 2003 and 2002.....	F-33
Statements of Stockholders' Equity for the years ended December 31, 2004, 2003 and 2002.....	F-34
Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002.....	F-35
Notes to Audited Financial Statements.....	F-37

ICA Panama, S.A.

(A Wholly Owned Subsidiary of ICATECH Corporation)

Review Report

Unaudited Interim Financial Statements

**As of March 31, 2005 and 2004, and for the Three Months
in the Periods Ended March 31, 2005 and 2004**

Deloitte - Panama

ICA Panama, S.A.
(A wholly owned subsidiary of ICATECH Corporation)

TABLE OF CONTENTS

	Page
UNAUDITED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2005 AND 2004 AND FOR THE THREE MONTHS IN THE PERIODS ENDED MARCH 31, 2005 AND 2004	
Unaudited Interim Balance Sheets	F-4
Unaudited Interim (Loss) Income Statements	F-5
Unaudited Interim Statements of Changes in Equity	F-6
Unaudited Interim Cash Flow Statements	F-7
Notes to the Unaudited Interim Financial Statements	F-9

ICA Panama, S.A.
(A wholly owned subsidiary of ICATECH Corporation)

UNAUDITED INTERIM BALANCE SHEETS
AT MARCH 31, 2005 AND 2004

(In United States Dollars)

ASSETS	Notes	March 31, 2005	March 31, 2004	EQUITY AND LIABILITIES	Notes	March 31, 2005	March 31, 2004
NON-CURRENT ASSETS				CAPITAL			
INVESTMENT IN CONCESSION	2,9	\$ 185,511,283	\$ 204,437,529	Share capital	8	\$ 155,268,973	\$ 153,947,826
RIGHTS TO BE RECEIVED FROM THE GOVERNMENT	3	4,768,251	4,749,276	Accumulated profits (deficit)		4,534,803	(2,246,244)
ACCOUNTS RECEIVABLE FROM THE GOVERNMENT	4	3,313,149	2,213,149			159,803,776	151,701,582
DEFERRED INCOME TAX	17	101,480	-	NON-CURRENT LIABILITIES			
OTHER NON-CURRENT ASSETS		887,438	77,261	LOANS - DUE AFTER ONE YEAR	2,7,9	45,250,000	52,125,000
				OTHER NON-CURRENT LIABILITIES		28,736	143,849
		194,581,601	211,477,215			45,278,736	52,268,849
CURRENT ASSETS				CURRENT LIABILITIES			
INVENTORIES	5,9	378,828	1,834,264	TRADE AND OTHER PAYABLES:			
TRADE AND OTHER RECEIVABLES	6	121,725	842,375	Client advances		574,892	714,950
RECEIVABLES FROM AFFILIATES	13	40,693	47,987	Trade	10	6,693,848	5,797,814
AMOUNTS RECEIVABLE FROM THE GOVERNMENT	4	25,433,470	7,721,216	Indemnifications	12	6,274,220	8,997,150
CASH		251,376	523,483	Affiliates	13	5,538,860	6,148,961
TRUST FUND FOR SPECIFIC USE	7	11,533,908	8,130,847			19,081,820	21,658,875
OTHER CURRENT ASSETS		620,841	1,466,662	LOANS DUE WITHIN ONE YEAR	2,7,9	7,175,000	6,760,000
		38,380,841	20,566,834	PROVISIONS	11	1,623,110	754,743
						27,879,930	29,173,618
TOTAL ASSETS		\$ 232,962,442	\$ 232,044,049	TOTAL EQUITY AND LIABILITIES		\$ 232,962,442	\$ 233,144,049

See notes to unaudited interim financial statements.

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

UNAUDITED INTERIM (LOSS) INCOME STATEMENTS**FOR THE THREE MONTHS IN THE PERIODS ENDED MARCH 31, 2005 AND 2004**

(In United States Dollars)

	Notes	2005	2004
TOLL REVENUES	2,7	\$ 4,321,038	\$ 3,856,820
LAND SALES REVENUES		1,082,521	939,821
ANCILLARY SERVICES REVENUES	2,7	81,484	68,305
INTEREST INCOME	2,14	<u>420,066</u>	<u>26,956</u>
Total revenue		5,905,109	4,891,902
AMORTIZATION OF INVESTMENT IN CONCESSION	2	2,321,947	1,890,821
COST OF LAND SALES	5	878,124	556,905
OPERATION AND MAINTENANCE COSTS	13,15	<u>919,972</u>	<u>954,703</u>
Total costs of sales		<u>4,120,043</u>	<u>3,402,429</u>
Gross income		1,785,066	1,489,473
GENERAL AND ADMINISTRATIVE EXPENSES	13	<u>588,704</u>	<u>647,728</u>
Operating Income		1,196,362	841,745
INTEREST EXPENSE	10,16	<u>(2,174,632)</u>	<u>(808,794)</u>
(LOSS) INCOME BEFORE TAX		(978,270)	32,951
INCOME TAX EXPENSE	17	<u>9,900</u>	<u>-</u>
NET (LOSS) INCOME FOR THE PERIOD		<u>\$ (988,170)</u>	<u>\$ 32,951</u>

See notes to unaudited interim financial statements.

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

**UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS IN THE PERIODS ENDED MARCH 31, 2005 AND 2004**

(In United States Dollars)

	Note	Share capital	Accumulated income/(deficits)	Total
BALANCE AT JANUARY 1, 2005		\$155,268,973	\$ 5,522,973	\$160,791,946
NET LOSS FOR THE PERIOD		<u> </u>	<u>(988,170)</u>	<u>(988,170)</u>
BALANCE AT MARCH 31, 2005		<u>\$155,268,973</u>	<u>\$ 4,534,803</u>	<u>\$159,803,776</u>
BALANCE AT JANUARY 1, 2004		\$152,199,289	\$ (2,279,195)	\$149,920,094
CAPITAL CONTRIBUTION	8	1,748,537		1,748,537
NET INCOME FOR THE PERIOD		<u> </u>	<u>32,951</u>	<u>32,951</u>
BALANCE AT MARCH 31, 2004		<u>\$153,947,826</u>	<u>\$ (2,246,244)</u>	<u>\$151,701,582</u>

See notes to unaudited interim financial statements.

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

UNAUDITED INTERIM CASH FLOW STATEMENTS**FOR THE THREE MONTHS IN THE PERIODS ENDED MARCH 31, 2005 AND 2004**

(In United States Dollars)

	2005	2004
OPERATING ACTIVITIES:		
Net (loss) income before taxation	\$ (988,170)	\$ 32,951
Adjustments for:		
Depreciation	5,703	7,913
Amortization of investment in concession	2,321,947	1,890,821
Interest expense	2,174,632	808,794
Operating cash flows before movements in working capital	3,514,113	2,740,479
Increase in accounts receivable from the Government	(380,232)	-
Decrease in inventories	867,564	656,041
Decrease in receivables	17,238	57,517
Decrease/(increase) in other current assets	376,729	(152,701)
Increase in other non-current assets	(949,762)	-
Decrease in other non-current liabilities	(13,299)	(12,202)
Decrease in payables	(1,024,497)	(406,744)
Increase in provisions	79,458	144,364
Cash generated by operations	2,487,312	3,026,754
Interest paid	(25,640)	(34,247)
Net cash from operating activities	2,461,672	2,992,507

(Continued)

(A wholly owned subsidiary of ICATECH Corporation)

UNAUDITED INTERIM CASH FLOW STATEMENTS
FOR THE THREE MONTHS IN THE PERIODS ENDED MARCH 31, 2005 AND 2004
(In United States Dollars)

	2005	2004
INVESTING ACTIVITIES:		
Proceeds on disposal of equipment and furniture	\$ <u> -</u>	\$ <u> 14,211</u>
Net cash from investing activities	<u> -</u>	<u> 14,211</u>
FINANCING ACTIVITIES:		
Repayments of accounts payable affiliates	(2,797)	(114,735)
Capital contribution	-	1,748,537
Repayments of borrowings	<u> -</u>	<u> (1,857,144)</u>
Net cash used in financing activities	<u> (2,797)</u>	<u> (223,342)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,458,875	2,783,376
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u> 9,326,409</u>	<u> 5,870,954</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>\$ 11,785,284</u>	<u>\$ 8,654,330</u>
Cash and cash equivalents included in the cash flow include the following balance sheet amounts:		
Cash	\$ 251,376	\$ 523,483
Trust fund with specific use	<u>11,533,908</u>	<u>8,130,847</u>
Cash and trust funds with specific use as stated in the balance sheet	<u>\$ 11,785,284</u>	<u>\$ 8,654,330</u>

See notes to unaudited interim financial statements

(Concluded)

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2005 AND 2004 AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(In United States dollars)

1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information - ICA Panama, S.A. (the “Company”) was incorporated by Public Deed No. 1,496 of March 16, 1995, under the laws of the Republic of Panama. Its principal business activity is the study, design, construction, maintenance, administration and operation of the Corredor Sur (the “Corredor Sur”) highway, which extends for a distance 19.76 kilometers. The Company’s parent enterprise is ICATECH Corporation domiciled in the United States of America, and the Company’s ultimate parent enterprise is Empresas ICA Sociedad Controladora, S.A. de C.V. domiciled in the United Mexican States. At March 31, 2005 and 2004, the Company had 8 and 9 employees, respectively. The Company’s headquarters are located at Via Israel, Corredor Sur Building, next to the Atlapa Convention Center, San Francisco, Republic of Panama.

Operations - The financial operations of the Company are subject to regulation by the Ministry of Public Works (“MOP”), by virtue of the Administrative Concession Contract No.70-96 dated August 6, 1996 (the “Concession Contract”) executed between the Government of the Republic of Panama (the “Government”) and the Company for the study, design, construction, maintenance, administration and operation of the Corredor Sur (the “Concession”). The provisions concerning the handling, administration and tolls are set forth in the Concession Contract. The Concession was granted under Law No.5 of April 15, 1998 (“Law 5”) of the Republic of Panama, authorizing the collection of tolls related to the use of the Corredor Sur for a period of 30 years.

The operation and maintenance of the Corredor Sur is performed by Maxipista de Panama, S.A.(the “Operator”), a related company incorporated under the law of the Republic of Panama. The Operator has executed an “Administration Contract” with the Company, which expires concurrently with the expiration of the Concession. The services rendered by the Operator are paid with funds from a trust managed by Banco General, S.A.

The measurement currency of the Company is the United States dollar and the financial statements are presented in such currency. The balboa, currency of the Republic of Panama, is on a par basis with and freely exchangeable for United States dollars. The Republic of Panama does not issue paper money and uses the United States dollar as legal tender.

Summary of Significant Accounting Policies - The accounting policies adopted by the Company are in accordance with International Financial Reporting Standards (IFRS), which requires that Company management make estimates and assumptions related to certain amounts and certain required disclosures in the financial statements. Actual results of operations may differ as a consequence of such estimates and assumptions. Management believes that such estimates and assumptions are adequate under the circumstances. The financial statements were prepared based upon historical cost. A summary of significant accounting policies adopted by the Company is as follows:

- a. **Revenue recognition** - Revenue from tolls is recognized at the moment when the users of the Corredor Sur have completed their travel on the toll road and paid the related toll.

Land sales are recorded when the purchase option contract is signed, and the purchaser has provided a minimum payment of no less than twenty percent (20%) of the contract value. Previously recorded sales which are not finalized are presented in the income statement as a reduction of net of sales realized in the period.

Interest income is accrued over time, by reference to the principal outstanding and the applicable interest rate.

- b. **Borrowing costs** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as they are ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

- c. **Long-lived assets** - Long-lived assets are as follows:

- **Investment in concession** - All costs incurred, including borrowing costs, related to the construction of the Corredor Sur in Panama, are capitalized and are presented net of investment in land which is ceded to the Company by the Government at fair value. The fair value of such land is determined based on valuations made by independent appraisers.

The net cost of the investment in concession is amortized using the units-in-use method, (based upon estimated vehicular traffic) for the entire term of the Concession.

When any indicators of impairment are detected for the assets in use, the Company evaluates the impairment and records an impairment loss when the carrying amount is greater than the recoverable amount. The recoverable amount is the higher of net selling price and value in use, which is the present value of estimated future cash flows expected to arise from the continuing use of an asset using the appropriate discount rate.

- d. **Rights to be received from the Government** - All rights related to fill marine areas and land to be received from the Government are recorded at fair value with an offsetting amount against the investment in concession. Additional cash disbursements incurred during the construction stage of the Corredor Sur, and which relate to rights to be received from the Government, are recorded at cost.

- e. **Inventories** - Inventories consist of investments in land held for sale, and are composed of: (i) the lands received from the Government, (ii) the rights to fill marine areas prior to development, and (iii) development costs related to improving the land for sale, which includes labor costs, taxes, material costs and direct and indirect costs. Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all costs of completion and costs to be incurred in marketing and selling.

- f. **Provisions** - Provisions are recognized when the Company has a current obligation as a result of a past event, and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

Seniority premiums recorded in the balance sheet are based on the salaries earned by the employees, as required by the Labor Code of the Republic of Panama.

The Company established a retirement fund on August 14, 1995, with obligatory amounts including the monthly contribution corresponding to the employee's seniority premium corresponding to 1.92% and 0.33% of total salaries earned during the period.

- g. **Financial instruments** - Financial assets and liabilities are recognized on the Company's balance sheet when the Company becomes a party to the instrument.
- **Trade receivables** - Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts.
 - **Bank borrowings** - Interest-bearing bank loans are recorded at the amount of proceeds received, net of direct issue costs. Finance charges are recorded on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
 - **Trade payables** - Trade payables are stated at their nominal value.
- h. **Classification** - Some accounts in the unaudited interim financial statements to March 31, 2005 and 2004, have been classified to conform with the audited financial statements presentation as of December 31, 2004.

2. INVESTMENT IN CONCESSION

Investment in concession as of March 31, 2005 and 2004 consists of:

	2005	2004
Cost:		
Construction cost of the Corredor Sur	\$ 199,279,568	\$ 208,692,275
Borrowing costs	28,202,871	29,375,175
Indemnification	27,748,133	27,021,426
Supervision cost	14,450,826	14,945,074
Insurance and guarantee costs	<u>792,604</u>	<u>792,604</u>
Total investment	<u>\$ 270,474,002</u>	<u>\$ 280,826,554</u>

An analysis of the investment in concession as of March 31, 2005 and 2004 is as follows:

	At March 31, 2005 Construction costs	At March 31, 2004 Construction costs
Cost:		
At January 1	\$ 270,474,002	\$ 280,826,554
Additions (reductions):	<u>0</u>	<u>0</u>
	270,474,002	280,826,554
Reductions to investment:		
Land received from the Government	(36,815,388)	(31,867,467)
Land pending to be transferred	(4,768,251)	(9,716,172)
Amortization at January 1	(41,057,133)	(32,914,565)
Amortization for the first quarter	<u>(2,321,947)</u>	<u>(1,890,821)</u>
	<u>(84,962,719)</u>	<u>(76,389,025)</u>
Carrying amount at March 31	<u><u>\$ 185,511,283</u></u>	<u><u>\$ 204,437,529</u></u>

The rights and obligations of the Company and the Government over the Corredor Sur are described in the Concession Contract. A summary of the principal conditions and obligations established in the Concession Contract are as follows:

- The Concession is for a period of thirty (30) years, effective from the date of the beginning of operation and administration of any of the authorized component sections. The first segment started its operations in June 1999.
- When the Concession's period ends, the works shall be returned to the Government free of costs, taxes, claims and with the same level of service as when they were constructed. For this purpose, the Concessionaire must perform all the necessary repairs and maintenance.
- The Company must comply with all legal regulations of the Republic of Panama and is required to respect at all times the ecology and environment.

- The Company is entitled to receive from the Government approximately 29.5 hectares of land from the former Marcos A. Gelabert Airport, free of any taxes. Additionally, the Company is entitled to receive the rights to fill over the marine layer an area of 35 hectares, located between the Marcos A. Gelabert Airport and Centro de Convenciones Atlapa, to enable the development and commercialization of this area during the period of the Concession. As well the Company is entitled to receive the right to fill up additional marine layers when admissible according to the terms of the Concession Contract. From the original 29.5 hectares of land previously mentioned, the Company has received 25.4 hectares and has pending to receive the 4.1 hectares. At March 31, 2005, as a result of the Arbitration ruling dated July 14, 2004, the Government is liable to pay for this area in cash. (See below). From the original 35 hectares of marine filling rights, the Company has outstanding rights over 11.6 hectares at March 31, 2005. On January 31, 2005 there was published in the Panamanian Official Gazette (Gaceta Oficial), a decision of the Supreme Court of Panama that declared unconstitutional the final phrase and paragraph of Article 2 of Law No. 5 of 1988. Specifically, the Court ruled that under, the Panamanian Constitution, the sea and seabed are public property, open to public use, and therefore cannot be privately appropriated. The Company's counsel believes that this ruling does not apply retroactively.

As result of this decision, the Company may not actually receive the remaining 11.6 hectares of marine fill-in rights that remain to be conveyed to the Company under the Concession Contract. However, the MOP is contractually obligated to find alternative means of compensating the Company for the portion of land that was to be created through marine reclamation.

- The Company does not have the right, under any circumstances, to request any court to authorize the seizure or confiscation of the whole or part of the property (whether personal or real property) constituting the building site, that forms an integral part of the operation, even when those properties were acquired and financed by the Company.
- The Company has assumed the payment of indemnities on behalf of the Government, for the acquisition or expropriation of private properties, necessary for the execution of the project, up to the amount of seventeen million seven hundred seventy two thousand dollars (\$17,772,000) according to the terms of the Concession Contract. Any excess to the amount indicated will be considered as part of the investment in Concession and is required to be reimbursed to the Company through the granting of additional marine fill rights in the area between Centro de Convenciones Atlapa and former Marcos A. Gelabert Airport. At March 31, 2005 and 2004, the Company has the right to exercise marine fill rights for the equivalent of 7.4 hectares. As described above, the Company may not actually receive marine fill-in rights under the Concession Contract as payment for this additional investment. The MOP, however, is obligated to find alternative means of compensating the Company for this additional investment
- Ten years before the end of the period of the Concession, the Company is required to provide a deposit that guarantees the investment of the project with the same level of service as constructed originally.

- The agreed amount recoverable by the Company is the following:

a. Investment	\$222,322,295
b. Reasonable profit	<u>84,112,886</u>
Total	<u>\$306,435,181</u>
- Starting at the beginning of operations and during the first three years thereafter, toll fees may be adjusted in accordance with the variation of the “Consumer Price Index” or at the moment that such Index increases by 5% or more with respect to the last indicator adjustment effected. Starting in the fourth year of the Concession and until the ninth year of operation, the Company is authorized to increase the toll fees by 25%. Starting in the ninth year of the Concession, if within the following three months of each fiscal year the toll fees do not reach the total recoverable amount according to the financial program, the Company will have the right to increase the toll fees. If market forces do not allow for the raising of the toll fees, the Government guarantees, in accordance with the Concession Contract, that the Company will obtain the recoverability of its investment and the agreed yield, extending the Concession term as necessary.
- The causes of termination of the Concession are the following:
 1. When the works subject to the Concession are not performed in the agreed form and terms;
 2. When the subject matter of the Concession is changed without authorization from the Government;
 3. When the Concession or its properties are transferred, assigned or taxed without authorization from the Cabinet Council of the Republic of Panama, or when the properties are used for other purposes than the subject of the Concession;
 4. When paragraphs 1, 2, 3 and 5 of article 13 of Law 5 of April 1988 are not fulfilled;
 5. When the judicial bankruptcy of the Company is declared or when the Company is determined to be financially or technically unable to perform under the terms of the Concession Contract.
 6. In the event of expropriation by the Government of the Corredor Sur Concession, the Government is liable for compensatory payments to the Company based upon the Company’s net invested amount at the date of expropriation, the expected future return on the invested amount and the time value of money, as described in clause tenth of the Concession Contract.

The Company’s right to collect the tolls and ancillary services fees under the Concession Contract of Corredor Sur is pledged as a guarantee of the debt with International Finance Corporation in the amount of \$52,125,000.

During the construction phase of the Corredor Sur, changes to the original project were requested by the MOP and were performed, such changes required that the Company provide additional investment funding. Additionally, 4.1 hectares of the 29.5 hectares of land that were to have been transferred under the Concession Contract to the Company have not been transferred, although such 4.1 hectares of land form part of the area now occupied by the Corredor Sur itself due to the alteration of the original outline of the Corredor Sur made at the request of the MOP. In order to resolve claims by the Company related to area not transferred, additional investments and disbursements indicated above, the Company and the MOP agreed to submit to arbitration. On October 16, 2003, the Arbitration Court proceeding was formally assigned to the Conciliation and Arbitration Center of Panama. On December 19, 2003, the Company filed before such court the arbitration demand against the Panamanian Government.

A ruling was issued on July 14, 2004 by the Conciliation and Arbitration Center of Panama, and accepted by both parties on August 5, 2004. The Company was awarded \$25,053,238, including financial costs, which at the time of the ruling amounted to \$7,919,314. Additionally, the ruling established that interest would continue to accrue on the awarded amount until the Government settles the obligation.

3. RIGHTS TO BE RECEIVED FROM THE GOVERNMENT

A summary of the rights to be received from the Government as of March 31, 2005 and 2004 is as follows:

	At March 31, 2005 Rights to fill marine areas	At March 31, 2004 Rights to fill marine areas
Cost:		
At January 1	\$ 4,768,251	\$ 4,749,276
Additions	<hr/>	<hr/>
Carrying amount at March 31	<u>\$ 4,768,251</u>	<u>\$ 4,749,276</u>

According to the third, fifteenth and sixteenth clauses of the Concession Contract signed between the Company and the Government, the Company has the right to receive from the Government rights to fill the marine area located between Centro de Convenciones Atlapa and the former Marcos A. Gelabert Airport, as a reimbursement of the costs related to the investment in the concession. As indicated in Note 2, the Company may not actually receive marine fill-in rights under the Concession Contract as payment for the costs related to the investment in the Concession. However, the MOP is contractually obligated to find alternative means of compensating the Company for this investment.

4. AMOUNTS RECEIVABLE FROM THE GOVERNMENT

The amounts receivable from the Government consist of disbursements solicited by and effected on behalf of the MOP, and the right to receive land from the Government, recorded at fair value. Fair value has been determined based on appraisals performed by recognized independent appraisal firms. At March 31, the amounts receivable from the Government is as follows:

	Additional disbursements for the relocation of the airport	Mainland concession contract	Additional disbursements for La Playita	Arbitration ruling	Total
Cost					
At January 1, 2005	\$ 3,313,149	\$ -	\$ -	\$ 25,053,238	\$ 28,366,387
Additions				380,232	380,232
Reductions					\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Carrying amount					
At March 31, 2005	<u>\$ 3,313,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,433,470</u>	<u>\$ 28,746,619</u>
Cost					
At January 1, 2004	\$ 3,313,149	\$ 4,324,714	\$ 3,396,502	\$ -	\$ 11,034,365
Additions					
Reductions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Carrying amount					
At March 31, 2004	<u>\$ 3,313,149</u>	<u>\$ 4,324,714</u>	<u>\$ 3,396,502</u>	<u>\$ -</u>	<u>\$ 11,034,365</u>

As indicated in Note 2, in the July 14, 2004 ruling issued by the Conciliation and Arbitration Center of Panama, and executed on August 5, 2004, the Company was awarded \$25,053,238 million, including financial costs. This amount included a payment for previously recorded amounts related to lands to be received, from the mainland Concession Contract (4.1 hectares) and additional disbursements related to La Playita.

5. INVENTORIES

Inventories, which consist of investments in land, are as follows:

	2005	2004
Balance, beginning of quarter	\$ 1,246,392	\$ 2,490,305
Development, improvements and adjustments	10,560	(99,136)
Less cost of land sold	<u>(878,124)</u>	<u>(556,905)</u>
Balance, end of quarter	<u>\$ 378,828</u>	<u>\$ 1,834,264</u>

As of March 31, 2005, the land inventory comprised the lot #223393. This lot has a carrying amount of \$378,828 and has collateralized a loan from Bancafe (Panama), S.A., with an outstanding balance as of March 31, 2005 of \$300,000.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables at the balance sheet date were comprised of amounts receivable from land sales and ancillary services.

7. TRUST FUNDS WITH SPECIFIC USE

The trust funds with specific use corresponds to the daily collection of the toll fees received by the Company and fees for ancillary services, which serve as a guarantee and are primarily for the payment of the loan contract between ICA Panama, S.A. and International Finance Corporation (IFC), dated September 29, 1999. Such trust was established pursuant to of an “Irrevocable Trust Contract” between the Company and Banco General, S. A. (the “Manager”), dated September 29, 1999, with the objective of serving as a recipient for the collection of debt and related interests to IFC, as well as for payments on the operation, administration, and maintenance expenses of the Corredor Sur in accordance with the conditions established in such contracts.

The Loan Agreement and the Trust Agreement establish certain restrictive clauses for the specific use of the funds available in the trust, such as reserves for debt limits, dividend payments, the notification and documentation to IFC, the contracting of insurance policies, as well as the requirement to maintain certain financial ratios. For the three month periods ended March 31, 2005 and 2004, all these restrictions resulting from the Loan and Trust Agreements were met.

Deposits on saving accounts of the trust accrue annual interests rates of approximately 1.5%.

8. SHARE CAPITAL

At March 31, the share capital of the Company is as follows:

	Authorized capital	Par value	Stocks issued and fully paid
2005	<u>\$ 155,268,973</u>	<u>\$ 1,552,689.73</u>	<u>100</u>
2004	<u>\$ 153,947,826</u>	<u>\$ 1,539,478.26</u>	<u>100</u>

The Company has one class of ordinary shares.

During the period ended March 31, 2005, no increments to authorized capital were due.

The last increase in authorized capital registered in the Public Registry was effected by means of Public Deed N°21,167 of December 18, 2004, increasing the authorized capital to \$155,268,973 divided in 100 shares with a par value of \$1,552,689.73.

9. BANK LOANS

	As of March 31,	
	2005	2004
Bank loans		
International Finance Corporation (I.F.C)/ICA		
Panamá, S.A. Trust		
Loan matures bi-annually from October 31, 2001 to October 31, 2011, bearing interest bi-annually from Libor plus 4.000% to 4.125% annually. This loan is guaranteed by the toll and ancillary service fees deposited in the Trust managed by Banco General, S.A. with a common guarantee of Empresa Ica Sociedad Controladora, S.A. de C.V.	\$ 52,125,000	\$ 58,500,000
Bancafé (Panamá), S.A.		
Loan with mortgage guaranty over property #223393, with maturity from April 22, 2003 to May 22, 2005 at an annual interest rate of 7.0%	300,000	385,000
Total	52,425,000	58,885,000
Less: current portion	(7,175,000)	(6,760,000)
Loans: due after one year	<u>\$ 45,250,000</u>	<u>\$ 52,125,000</u>

The borrowings are repayable as follows:

Within one year	\$ 7,175,000
In the second year	7,450,000
In the third to fifth years inclusive	22,800,00
	0
After five years	15,000,00
	<u>0</u>
Total	<u>\$ 52,425,000</u>

The average interest rates paid were as follows:

	Period ended March 31, 2005	Period ended March 31, 2004
Bank loans	6.3%	5.3%

10. FINANCIAL INSTRUMENT

On March 11, 2005 the Company entered into a financial instrument in order to lock the interest rate related to a proposed debt offering. The initial agreement was for a notional amount of \$80,857,000 and was to terminate on May 31, 2005. The purpose of the interest rate lock agreement was to limit the Company's exposure to increases in borrowing costs as a result of increases in market interest rates prior to the closing of the proposed transaction.

As a consequence of favorable market interest rate movements subsequent to March 11, which are expected to result in reduced borrowing cost on the proposed debt offering, the rate lock agreement was terminated by the Company on May 3, 2005. At the date of termination, the contract's negative fair value was \$5,080,000. The cost of this transaction is expected to be settled through a \$1,300,000 cash deposit with the counter-party to the contract and through the proposed debt offering's proceeds.

As of March 31, 2005, the fair value of the contract is \$1,323,587 and is recorded as an obligation into account payable with a corresponding charge to interest expense of \$1,323,587.

11. PROVISIONS

An analysis of provisions as of March 31, 2005 and 2004 is as follows:

	Major maintenance	Labor benefits	Total
At January 1, 2005	\$ 1,447,446	\$ 96,206	\$ 1,543,652
Additions	101,823	14,719	116,542
Reductions	<u>(37,084)</u>	<u> </u>	<u>(37,084)</u>
Carrying amount At March 31, 2005	<u>\$ 1,512,185</u>	<u>\$ 110,925</u>	<u>\$ 1,623,110</u>
At January 1, 2004	\$ 535,431	\$ 74,948	\$ 610,379
Additions	131,751	16,544	148,295
Reductions	<u> </u>	<u>(3,931)</u>	<u>(3,931)</u>
Carrying amount At March 31, 2004	<u>\$ 667,182</u>	<u>\$ 87,561</u>	<u>\$ 754,743</u>

12. INDEMNIFICATION PAYABLES

Indemnification payables consists mainly of obligations, owed by the Company, in cash or kind, and which originate from damages to privately owned lands that are located in the right of way of the Corredor Sur.

13. RELATED PARTIES

During the year, the Company entered into the following transactions with related parties, who are not part of the Company:

	<u>Amounts owed by related parties</u>		<u>Amounts owed to related parties</u>	
	<u>Period ended March 31, 2005</u>	<u>Period ended March 31, 2004</u>	<u>Period ended March 31, 2005</u>	<u>Period ended March 31, 2004</u>
Parent company:				
ICATECH Corporation	\$	\$	\$ 39,193	\$
Other companies of the Group:				
Ingenieros Civiles Asociados Panamá, S.A.			2,081,459	2,518,792
Asesoría Técnica y Gestión Administrativa, S.A. de C.V.			2,246,042	2,246,042
Maxipista de Panamá, S.A.			740,369	991,590
Controladora de Operaciones de Infraestructura, S.A. de C.V.			174,544	180,645
Grupo ICA, S.A. de C.V.			83,392	73,712
Maxipistas, S.A. de C.V.			58,514	54,514
Ingenieros Civiles Asociados, S.A. de C.V.			51,172	51,172
Constructoras ICA, S.A. de C.V.			32,494	32,494
Empresas ICA Sociedad Controladora, S.A. de C.V.			31,681	
CPC, S.A. de C.V.	40,693	46,795		
Ingenieros Civiles Asociados Colombia, S.A.		1,192		
Total	<u>\$ 40,693</u>	<u>\$ 47,987</u>	<u>\$ 5,538,860</u>	<u>\$ 6,148,961</u>

The Company is a member of a group of related companies, and, as disclosed in this note, enters into certain transactions and business relationships with such companies. The transactions and business activities with these related companies originate from the construction, maintenance and operation of the Corredor Sur.

The Company paid Maxipista de Panama, S.A., an amount of \$712,617 at March 31, 2005 and 2004, respectively, for services rendered related to the operation and maintenance of the Corredor Sur.

14. INTEREST INCOME

A summary of interest income is as follows:

	Period ended March 31, 2005	Period ended March 31, 2004
Interest receivable from the Arbitration Court:		
For the period	\$ 380,232	\$ -
Interest received from trust funds with specific use	<u>39,834</u>	<u>26,956</u>
Balance, end of period	<u>\$ 420,066</u>	<u>\$ 26,956</u>

As stated in Note 2, the Arbitration Court ruling awarded financial interest in favor of the Company. Interest on the outstanding amount will continue to accrue until settled by the Government based upon a 9% annual rate of interest on the outstanding amount.

15. OPERATION AND MAINTENANCE COSTS

A summary of operation and maintenance costs is as follows:

	Period ended March 31, 2005	Period ended March 31, 2004
Operation and minor maintenance costs	\$ 712,617	\$ 712,617
Major maintenance costs	101,824	131,751
Insurance	<u>105,531</u>	<u>110,335</u>
Total	<u>\$ 919,972</u>	<u>\$ 954,703</u>

The operation costs correspond to the payment issued to the operator Maxipista de Panama, S.A., a related company, in charge of the operation and maintenance of the Corredor Sur, in accordance with the Administration Agreement.

Major maintenance costs are meant to recognize estimates of costs that will be made in the year 2005 in accordance with the maintenance plan established for such purpose and in compliance with the Concession Contract.

16. INTEREST EXPENSE

	Period ended March 31, 2005	Period ended March 31, 2004
Interest on loans	\$ 851,045	\$ 808,794
Interest on financial instrument	<u>1,323,587</u>	<u>-</u>
Total	<u>\$ 2,174,632</u>	<u>\$ 808,794</u>

17. INCOME TAX EXPENSE AND TAX BENEFITS

The Company's income tax returns, including that for the year ended December 31, 2004, are subject to review by the fiscal authorities for a minimum of the last three fiscal periods, in accordance with the current Panamanian tax law.

The following are the major deferred tax liabilities and assets recognized by the Company and movements thereon during the current period:

	Depreciation	Labor obligations	Reserves	Total
At January 1, 2005	\$ 85,476	\$ 2	\$ (70,728)	\$ 14,750
Charge and credit to income for the period	<u>(164,618)</u>	<u>-</u>	<u>48,388</u>	<u>(116,230)</u>
At March 31, 2005	<u>\$ (79,142)</u>	<u>\$ 2</u>	<u>\$ (22,340)</u>	<u>\$ 101,480</u>

Certain deferred taxes assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	March 31, 2005	March 31, 2004
Deferred tax liabilities	\$ 2	\$ -
Deferred tax assets	<u>(101,482)</u>	<u>-</u>
Total	<u>\$ (101,480)</u>	<u>\$ -</u>

The tax charge for the year can be reconciled to the statutory tax rate, as follows:

	Period Ended March 31, 2005	Period Ended March 31, 2004
Net (loss) income for the period	<u>\$ (978,270)</u>	<u>\$ 32,951</u>
Tax expense (benefit) at the domestic income tax rate of 30%	\$ (293,481)	\$ 9,885
Increase (decrease) resulting from:		
Effect of tax exemption (see below)	220,111	\$ (9,885)
Provision for income tax	<u>83,270</u>	<u>-</u>
Income tax expense for the period	<u>\$ 9,900</u>	<u>\$ -</u>

The Concession Contract establishes that the Company will have the right to the following fiscal benefits:

1. Starting with the assignment of the Concession and during the execution of the work, the assets subject to the Concession will be exempt from:
 - a) The value added tax and import tax of the machinery, equipment, supplies, materials, and general goods that are destined to the execution of the work subject to the Concession.
 - b) Re-export tax.
 - c) Value added tax (VAT).
 - d) Income tax.
2. During the administration of the Concession, the Company will have the following rights and exemptions:
 - a) Income tax in accordance with the following scale:
 - 100% during the first five years
 - 75% during the following five years
 - 50% during the remaining years of the Concession
 - b) 100% of the stamp tax.

- c) 100% of import tax on the maintenance and operating equipment essential in the administration of the works under the Concession.
 - d) 100% of value added tax on the importation of maintenance and operating equipment essential in the administration of the works under the Concession.
- 3. The Company will have the first option to perform ancillary services related to the Concession and will be able to receive the incentives given by the respective development laws.

18. NON-CASH TRANSACTIONS

Additions to rights to be received from the Government amounting to \$1,858,639 during year 2003 were recorded according to the fifteenth and sixteenth clauses of the Concession Contract with a corresponding credit to investment in Concession. As a result of the decision by the Supreme Court of Panama, the Concessionaire may not actually receive marine fill-in rights under the Concession Contract as payment for this additional investment. However, the MOP is contractually obligated to find alternative means of compensating the Concessionaire for this additional investment.

19. CONTINGENCIES

- 1. The Company is subject to a claim, filed by Roberto Alfaro, Gloria Esther Cedeño and others that was admitted by a resolution dated January 12, 2000 and is located in the Sixteenth Court of the Civil Branch Circuit of the First Juridical Judicial Circuit of Panama.

The claim is for compensation to the residents near the Corredor Sur for supposed damages that the construction of the Corredor Sur has caused to them. The amount of the claim has been estimated by the plaintiffs at \$30,000,000.

According to the plaintiffs, their claim is based on several facts, related to, among others, the following:

- Emotional and moral damage: plaintiffs pleaded that the explosions and the noise of the trucks have affected their well being.
- Plaintiffs' health has been affected: plaintiffs claim that the construction of the Corredor Sur has caused environmental contamination in the Bay of Panama.
- The value of the real estate where they live has been reduced due to the construction of the Corredor Sur.

The court decided to include the Ministry of Public Works (MOP) in the process, following ICA Panama's presentation of a joinder request. The Company has requested the participation of the Government, as the Government should assume any negative ruling against the Company since the Corredor Sur is a public work.

The court, after initial proceedings and presentation of evidence has not concluded on each party's objections to the admissibility of such evidence. Therefore, it has not been possible to move on to the next phase of the judicial proceedings and to a final ruling by the court. The Company's lawyers have filed a request to terminate the proceedings since the present lawsuit has been inactive for more than two years. The plaintiffs may appeal any such decision by the court to terminate the proceedings, which would prolong the judicial process.

2. There is a claim by Caja de Seguro Social (CSS) against ICA Panama, S. A. in the Twelfth Circuit Court – Civil Branch. The claim is for damages caused by the Corredor Sur project to lands owned by CSS in the amount of \$12,327,987.

The Twelfth Court of the First Circuit, Civil Branch, determined its verdict on January 31, 2003, ordering ICA Panama, S.A. to pay the following amounts to CSS:

- a. The amount of \$6,016,448 for actual value of the two plots of land of the property N°71.314, owned by CSS that were left without access to a public road.
- b. The amount of \$1,022,796.90 for interest, and
- c. The amount of \$651,644.84 for costs plus expenses that would be subsequently settled.

The Company's lawyers appealed before the First Superior Court of Justice (second request) and presented certain additional evidence dated March 31, 2003. At the present, the Court has not rendered a decision on the appeal.

The external counsel of the Company has considered that the ruling in this claim may be resolved during the six months of 2005. Although no assurances can be provided, the Company believes that a ruling favorable to the Company will result.

The Company has recorded a provision for \$371,617 corresponding to the estimated value of such lands before the construction of the Corredor Sur and has not made any additional

provision related to the claimed amount. However, if the final ruling should be unfavorable to the Company, the Concession Contract establishes that any amount that exceeds \$17,772,000 duly sustained and approved by the Government will be considered as part of the investment and is required to be compensated by the Government.

3. There has been a claim for unjust enrichment filed before the Ministry of Economy and Finance by the law firm of Morgan & Morgan, based upon a claim of hidden assets, which seeks a total recoverable amount of \$56,000,000. The Attorney General of Panama issued his opinion indicating that the claim is not compatible with the concept of hidden assets established by Article 80 of the fiscal code.

The Ministry of Economy and Finance resolved through its Resolution No. 92 as of August 9, 2004 that the claim does not represent hidden assets. The plaintiffs can appeal this resolution.

4. There is a claim for unjust enrichment filed by Mr. Victor Martinez and Mr. Willie Cochez before the Ministry of Economy and Finance for hidden benefits derived from a decrease in cost of the work related to the change of the route of the highway for the amount of \$8,725,829.

The Ministry of Economy and Finance pronounced that the Resolution No. 088 of August 4, 2004, in which the plaintiffs are denied the presentation of additional evidence to that previously presented. Such resolution is pending notification to the plaintiffs and there is the possibility of filing an appeal against such resolution before the Third Branch of the Supreme Court of Justice. After such notification is given, the Attorney General of Panama will provide his opinion on the claim and thereafter, the Ministry of Economy and Finance will pronounce their opinion on the legal of the claim

The Company's counsel believes there is evidence to support a rejection of the claim by the Ministry of Economy and Finance.

5. There is a claim for financial fraud filed by Mr. Victor Martinez and Mr. Willie Cochez before the Ministry of Economy and Finances for toll road fees charged in an amount greater than the amount approved by cabinet decree and for non-declaration of the corresponding revenue. Such claim does not specify the amount of the claim.

The external counsel of the Company considers that such claim for fiscal fraud will be rejected since the increase in toll fees had been in conformity with the procedures contractually established and approved.

6. There is a claim filed before the Fourteenth Circuit Court – Civil Branch by Cooperativa de Trabajadores y Expendio de Alimentos Sammy R.L. for the amount of \$1,550,771 for damages caused by the closing of the restaurant, Restaurante Sammy.

The Company has requested that the Government be included in the claim. In the event that there is a negative ruling against the Company, it is expected that the Panamanian Government should assume any penalties assessed or reimburse such penalties to ICA Panama, S.A. as the Corredor Sur is a public work.

7. There are other claims related to the Company, which total \$1,835,898. The external counsel of the Company has informed management that some claim processes have not been given notification by the court and others are in the process of being resolved in favor of the Company.
8. Banco Hipotecario Nacional (Panama's National Mortgage Bank) filed a lawsuit in December 2003 against the Company demanding approximately \$2.5 million. BHN claims that certain of its real property was appropriated and rendered unusable during the construction of the Corredor Sur and that it had to indemnify a third party. The Company has established a provision of \$152,220 based on the Company's estimate of the value of the property allegedly appropriated. The Concession Contract establishes that any amount payable by the Company for land indemnities that exceeds \$17,772,000 duly sustained and approved by the Government will be considered as part of the Company's investment and is required to be compensated by the Government.

20. UNAUDITED INTERIM FINANCIAL STATEMENTS

The interim financial statements for the three months in the periods ended March 31, 2005 and 2004 are not audited by the independent auditors of the Company.

* * * * *

ICA Panama, S.A.

(A Wholly Owned Subsidiary of ICATECH Corporation)

Independent Auditors' Report

Financial Statements

As of December 31, 2004 and 2003 and for the Three Years in the
Period Ended December 31, 2004, 2003 and 2002

Deloitte – Panama

ICA Panama, S.A.
(A wholly owned subsidiary of ICATECH Corporation)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	F-31
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2004 AND 2003 AND FOR THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2004	
Balance Sheets	F-32
Income Statements	F-33
Statements of Changes in Equity	F-34
Cash Flow Statements	F-35
Notes to the Financial Statements	F-37

INDEPENDENT AUDITORS' REPORT

To the Stockholder and Board of Directors
of ICA Panama, S.A.
(A wholly owned subsidiary of ICATECH Corporation)

We have audited the accompanying balance sheets of ICA Panama, S.A. as of December 31, 2004 and 2003 and the related statements of income, cash flows and changes in equity for the three years in the period ended December 31, 2004 (all expressed in United States dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years ended December 31, 2004, 2003 and 2002, in accordance with International Financial Reporting Standards.

The accompanying financial statements have been translated into English for the convenience of users.

Deloitte.
January 21, 2005

ICA Panama, S.A.
(A wholly owned subsidiary of ICATECH Corporation)

BALANCE SHEETS
AT DECEMBER 31, 2004 AND 2003
(In United States Dollars)

ASSETS	Notes	2004	2003	EQUITY AND LIABILITIES	Notes	2004	2003
NON-CURRENT ASSETS				CAPITAL			
INVESTMENT IN CONCESSION	2,9	\$ 187,833,230	\$ 206,328,350	Share capital	8	\$ 155,268,973	\$ 152,199,289
RIGHTS TO BE RECEIVED FROM THE GOVERNMENT	3	4,768,251	4,749,276	Accumulated profits (deficit)		<u>5,522,973</u>	<u>(2,279,195)</u>
ACCOUNTS RECEIVABLE FROM THE GOVERNMENT	4	3,313,149	3,313,149	NON-CURRENT LIABILITIES		<u>160,791,946</u>	<u>149,920,094</u>
OTHER NON-CURRENT ASSETS		<u>44,859</u>	<u>99,385</u>	LOANS - DUE AFTER ONE YEAR	2,7,9	45,250,000	52,125,000
		<u>195,959,489</u>	<u>214,490,160</u>	DEFERRED TAX LIABILITIES	16	14,750	
				OTHER NON-CURRENT LIABILITIES		<u>27,285</u>	<u>156,051</u>
						<u>45,292,035</u>	<u>52,281,051</u>
CURRENT ASSETS				CURRENT LIABILITIES			
INVENTORIES	5,9	1,246,392	2,490,305	TRADE AND OTHER PAYABLES:			
TRADE AND OTHER RECEIVABLES	6	138,963	899,892	Client advances		560,040	797,032
RECEIVABLES FROM AFFILIATES	12	40,693	41,885	Trade		4,491,685	5,167,929
AMOUNTS RECEIVABLE FROM THE GOVERNMENT	4	25,053,238	7,721,216	Indemnifications	11	7,366,740	9,177,151
CASH		675,040	275,802	Affiliates	12	<u>5,541,657</u>	<u>6,257,594</u>
TRUST FUND WITH SPECIFIC USE	7	8,651,369	5,595,152			<u>17,960,122</u>	<u>21,399,706</u>
OTHER CURRENT ASSETS		<u>997,571</u>	<u>1,313,962</u>	LOANS DUE WITHIN ONE YEAR	2,7,9	7,175,000	8,617,144
		<u>36,803,266</u>	<u>18,338,214</u>	PROVISIONS	10	<u>1,543,652</u>	<u>610,379</u>
						<u>26,678,774</u>	<u>30,627,229</u>
TOTAL ASSETS		<u>\$ 232,762,755</u>	<u>\$ 232,828,374</u>	TOTAL EQUITY AND LIABILITIES		<u>\$ 232,762,755</u>	<u>\$ 232,828,374</u>

See notes to financial statements.

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

INCOME STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

(In United States Dollars)

	Notes	2004	2003	2002
TOLL REVENUES	2,7	\$ 17,074,696	\$ 15,315,932	\$ 14,062,589
LAND SALES REVENUES		3,572,656	7,945,558	12,739,669
OTHER INCOME		228,246	213,931	
ANCILLARY SERVICES REVENUES	2,7	283,614	128,307	247,043
INTEREST INCOME	2,13	<u>7,601,022</u>	<u>96,058</u>	<u>70,784</u>
Total revenue		<u>28,760,234</u>	<u>23,699,786</u>	<u>27,120,085</u>
AMORTIZATION OF INVESTMENT IN CONCESSION	2	8,142,568	10,708,084	6,034,438
COST OF LAND SALES	5	2,263,386	6,057,727	4,005,663
OPERATION AND MAINTENANCE COSTS	12,14	<u>4,456,922</u>	<u>2,118,653</u>	<u>3,910,731</u>
Total cost of sales		<u>14,862,876</u>	<u>18,884,464</u>	<u>13,950,832</u>
Gross income		13,897,358	4,815,322	13,169,253
GENERAL AND ADMINISTRATIVE EXPENSES	12	<u>2,534,541</u>	<u>1,157,062</u>	<u>1,803,184</u>
Operating income		11,362,817	3,658,260	11,366,069
INTEREST EXPENSE	15	<u>(3,256,619)</u>	<u>(4,352,671)</u>	<u>(6,168,212)</u>
INCOME/(LOSS) BEFORE TAX		8,106,198	(694,411)	5,197,857
INCOME TAX EXPENSE	16	<u>304,030</u>		
NET INCOME/(LOSS) FOR THE YEAR		<u>\$ 7,802,168</u>	<u>\$ (694,411)</u>	<u>\$ 5,197,857</u>

See notes to financial statements.

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

(In United States Dollars)

	Note	Share capital	Accumulated profits/(deficits)	Total
BALANCE, AT JANUARY 1, 2002		\$ 69,844,494	\$ (6,782,641)	\$ 63,061,853
CAPITAL CONTRIBUTION	8	77,644,386		77,644,386
NET INCOME FOR THE YEAR			<u>5,197,857</u>	<u>5,197,857</u>
BALANCE, AT DECEMBER 31, 2002		147,488,880	(1,584,784)	145,904,096
CAPITAL CONTRIBUTION	8	4,710,409		4,710,409
NET LOSS FOR THE YEAR			<u>(694,411)</u>	<u>(694,411)</u>
BALANCE, AT DECEMBER 31, 2003		152,199,289	(2,279,195)	149,920,094
CAPITAL CONTRIBUTION	8	3,069,684		3,069,684
NET INCOME FOR THE YEAR			<u>7,802,168</u>	<u>7,802,168</u>
BALANCE, AT DECEMBER 31, 2004		<u>\$ 155,268,973</u>	<u>\$ 5,522,973</u>	<u>\$ 160,791,946</u>

See notes to financial statements.

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

CASH FLOW STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

(In United States Dollars)

	2004	2003	2002
OPERATING ACTIVITIES:			
Net income/(loss) before taxation	\$ 8,106,198	\$ (694,411)	\$ 5,197,857
Adjustments for:			
Depreciation	27,746	29,056	44,804
Amortization of investment in concession	8,142,568	10,708,084	6,034,438
Interest expense	3,256,619	4,352,671	6,168,212
Loss on disposal of equipment and furniture	4,006	3,028	78,624
Operating cash flows before movements in working capital	19,537,137	14,398,428	17,523,935
Decrease (Increase) in investment in concession	10,352,552	1,798,255	(6,715,852)
Increase in rights to be received from the Government	(18,975)		
Increase in accounts receivable from the Government	(17,332,022)	(1,216,457)	
Decrease/(increase) in inventories	1,243,913	4,284,677	8,025,740
Decrease in receivables	762,121	1,710,662	21,869,565
Decrease/(increase) in other current assets	316,391	(389,588)	358,318
(Decrease)/increase in other non-current liabilities	(128,766)	(4,365)	41,007
Decrease in payables	(3,060,040)	(1,766,269)	(4,024,916)
Increase/(decrease) in provisions	933,273	(1,232,053)	840,417
Cash generated by operations	12,605,584	17,583,290	37,918,214
Interest paid	(3,209,506)	(4,496,197)	(6,424,484)
Net cash from operating activities	9,396,078	13,087,093	31,493,730

(Continue)

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

CASH FLOW STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

(In United States Dollars)

	2004	2003	2002
INVESTING ACTIVITIES:			
Purchases of equipment and furniture		(27,445)	(7,694)
Proceeds on disposal of equipment and furniture	<u>22,774</u>	<u>45,080</u>	<u>174,488</u>
Net cash from investing activities	<u>22,774</u>	<u>17,635</u>	<u>166,794</u>
FINANCING ACTIVITIES:			
Repayments of accounts payable affiliates	\$ (715,937)	\$ (3,887,331)	\$ (77,809,117)
Capital contribution	3,069,684	4,710,409	77,644,386
Repayments of borrowings	<u>(8,317,144)</u>	<u>(11,772,104)</u>	<u>(30,485,752)</u>
Net cash used in financing activities	<u>(5,963,397)</u>	<u>(10,949,026)</u>	<u>(30,650,483)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,455,455	2,155,702	1,010,041
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,870,954</u>	<u>3,715,252</u>	<u>2,705,211</u>
CASH AND CASH EQUIVALENT AT END OF YEAR	<u>\$ 9,326,409</u>	<u>\$ 5,870,954</u>	<u>\$ 3,715,252</u>
Cash and cash equivalents included in the cash flow include the following balance sheet amounts:			
Cash	\$ 675,040	\$ 275,802	\$ 292,523
Trust funds with specific use	<u>8,651,369</u>	<u>5,595,152</u>	<u>3,422,729</u>
Cash and trust funds with specific use as stated in the balance sheet	<u>\$ 9,326,409</u>	<u>\$ 5,870,954</u>	<u>\$ 3,715,252</u>

See notes to financial statements.

(Conclude)

ICA Panama, S.A.

(A wholly owned subsidiary of ICATECH Corporation)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

(In United States dollars)

1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information - ICA Panama, S.A. (the “Company”) was incorporated by Public Deed No. 1,496 of March 16, 1995, under the laws of the Republic of Panama. Its principal business activity is the study, design, construction, maintenance, administration and operation of the Corredor Sur (the “Corredor Sur”) highway, which extends for a distance 19.76 kilometers. The Company’s parent enterprise is ICATECH Corporation domiciled in the United States of America, and the Company’s ultimate parent enterprise is Empresas ICA Sociedad Controladora, S.A. de C.V. domiciled in the United Mexican States. At December 31, 2004 and 2003, the Company had 8 and 10 employees, respectively. The Company’s headquarters are located at Via Israel, Corredor Sur Building, next to the Atlapa Convention Center, San Francisco, Republic of Panama.

Operations - The financial operations of the Company are subject to regulation by the Ministry of Public Works (“MOP”), by virtue of the Administrative Concession Contract No.70-96 dated August 6, 1996 (the “Concession Contract”) executed between the Government of the Republic of Panama and the Company for the study, design, construction, maintenance, administration and operation of the Corredor Sur (the “Concession”). The provisions concerning the handling, administration and tolls are set forth in the Concession Contract. The Concession was granted under Law No.5 of April 15, 1998 (“Law 5”) of the Republic of Panama, authorizing the collection of tolls related to the use of the Corredor Sur for a period of 30 years.

The operation and maintenance of the Corredor Sur is performed by Maxipista de Panama, S.A. (the “Operator”), a related company incorporated under the law of the Republic of Panama. The Operator has executed an “Administration Contract” with the Company, which expires concurrently with the expiration of the Concession. The services rendered by the Operator are paid with funds from a trust managed by Banco General, S.A.

The measurement currency of the Company is the United States dollar and the financial statements are presented in such currency. The balboa, currency of the Republic of Panama, is on a par basis with and freely exchangeable for United States dollars. The Republic of Panama does not issue paper money and uses the United States dollar as legal tender.

Summary of Significant Accounting Policies - The accounting policies adopted by the Company are in accordance with International Financial Reporting Standards (IFRS), which requires that Company management make estimates and assumptions related to certain amounts and certain required disclosures in the financial statements. Actual results of operations may differ as a consequence of such estimates and assumptions. Management believes that such estimates and assumptions are adequate under the circumstances. The financial statements were prepared based upon historical cost. A summary of significant accounting policies adopted by the Company is as follows:

- a. **Revenue recognition** - Revenue from tolls is recognized at the moment when the users of the Corredor Sur have completed their travel on the toll road and paid the related toll.

Land sales are recorded when the purchase option contract is signed, and the purchaser has provided a minimum payment of no less than twenty percent (20%) of the contract value. Previously recorded sales which are not finalized are presented in the income statement as a reduction of net of sales realized in the period.

Interest income is accrued over time, by reference to the principal outstanding and the applicable interest rate.

- b. **Borrowing costs** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as they are ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

- c. **Long-lived assets** - Long-lived assets are as follows:

- **Investment in concession** - All costs incurred, including borrowing costs, related to the construction of the Corredor Sur in Panama, are capitalized and are presented net of investment in land which is ceded to the Company by the Government at fair value. The fair value of such land is determined based on valuations made by independent appraisers.

The net cost of the investment in concession is amortized using the units-in-use method, (based upon estimated vehicular traffic) for the entire term of the Concession.

When any indicators of impairment are detected for the assets in use, the Company evaluates the impairment and records an impairment loss when the carrying amount is greater than the recoverable amount. The recoverable amount is the higher of net selling price and value in use, which is the present value of estimated future cash flows expected to arise from the continuing use of an asset using the appropriate discount rate.

- d. **Rights to be received from the Government** - All rights related to fill marine areas and land to be received from the Government are recorded at fair value with an offsetting amount against the investment in concession. Additional cash disbursements incurred during the construction stage of the Corredor Sur, and which relate to rights to be received from the Government, are recorded at cost.

- e. **Inventories** - Inventories consist of investments in land held for sale, and are composed of: (i) the lands received from the Government, (ii) the rights to fill marine areas prior to development, and (iii) development costs related to improving the land for sale, which includes labor costs, taxes, material costs and direct and indirect costs. Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all costs of completion and costs to be incurred in marketing and selling.

- f. **Provisions** - Provisions are recognized when the company has a current obligation as a result of a past event, and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

Seniority premiums recorded in the balance sheet are based on the salaries earned by the employees, as required by the Labor Code of the Republic of Panama.

The Company established a retirement fund on August 14, 1995, with obligatory amounts to include the monthly contribution corresponding to the employee's seniority premium corresponding to 1.92% and 0.33% of total salaries earned during the period.

- g. **Financial instruments** - Financial assets and liabilities are recognized on the Company's balance sheet when the Company becomes a party to the instrument.
- **Trade receivables** - Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts.
 - **Bank borrowings** - Interest-bearing bank loans are recorded at the amount of proceeds received, net of direct issue costs. Finance charges are recorded on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
 - **Trade payables** - Trade payables are stated at their nominal value.
- h. **Classification** - Some accounts in the financial statements of the year 2003 have been classified to conform with the 2004 presentation.

2. INVESTMENT IN CONCESSION

Investment in concession as of December 31, 2004 and 2003 consists of:

	2004	2003
Cost:		
Construction cost of the Corredor Sur	\$ 199,279,568	\$ 208,692,275
Borrowing costs	28,202,871	29,375,175
Indemnification	27,748,133	27,021,426
Supervision cost	14,450,826	14,945,074
Insurance and guarantee costs	<u>792,604</u>	<u>792,604</u>
Total investment	<u>\$ 270,474,002</u>	<u>\$ 280,826,554</u>

An analysis of the investment in concession as of December 31, 2004 and 2003 is as follows:

	2004	2003
	Construction costs	Construction costs
Cost:		
At January 1	\$ 280,826,554	\$ 280,766,170
Additions (reductions):		
Proceeds from arbitration settlement	(10,585,010)	
Other	<u>232,458</u>	<u>60,384</u>
	<u>270,474,002</u>	<u>280,826,554</u>
Reductions to investment:		
Land received from the Government	(36,815,388)	(31,867,467)
Land pending to be transferred	(4,768,251)	(9,716,172)
Amortization at January 1	(32,914,565)	(22,206,481)
Amortization for the year	<u>(8,142,568)</u>	<u>(10,708,084)</u>
	<u>(82,640,772)</u>	<u>(74,498,204)</u>
Carrying amount at December 31	<u>\$ 187,833,230</u>	<u>\$ 206,328,350</u>

The rights and obligations of the Company and the Government over the Corredor Sur are described in the Concession Contract. A summary of the principal conditions and obligations established in the Concession Contract are as follows:

- The Concession is for a period of thirty (30) years, effective from the date of the beginning of operation and administration of any of the authorized component sections. The first segment started its operations in June 1999.
- When the Concession's period ends, the works shall be returned to the Government free of costs, taxes, claims and with the same level of service as when they were constructed. For this purpose, the Concessionaire must perform all the necessary repairs and maintenance.
- The Company must comply with all legal regulations of the Republic of Panama and is required to respect at all times the ecology and environment.

- The Company is entitled to receive from the Government approximately 29.5 hectares of land from the former Marcos A. Gelabert Airport, free of any taxes. Additionally, the Company is entitled to receive the rights to fill over the marine layer an area of 35 hectares, located between the Marcos A. Gelabert Airport and Centro de Convenciones Atlapa, to enable, the development and commercialization of this area during the period of the Concession. As well the Company is entitled to receive the right to fill up additional marine layers when admissible according to the terms of the Concession Contract. From the original 35 hectares of marine filling rights, the Company has outstanding rights over 11.6 hectares at December 31, 2004 and 2003. From the original 29.5 hectares of land previously mentioned, the Company has outstanding rights over 4.1 hectares at December 31, 2003.
- The Company does not have the right, under any circumstances, to request any court to authorize the seizure or confiscation of whole or part of the property (whether personal or real property) constituting the building site, which forms an integral part of the operation, even when those properties were acquired and financed by the Company.
- The Company has assumed the payment of indemnities on behalf of the Government, for the acquisition or expropriation of private properties, necessary for the execution of the project, up to the amount of seventeen million seven hundred seventy two thousand dollars (\$17,772,000) according to the terms of the Contract. Any excess to the amount indicated will be considered as part of the investment in concession and will be reimbursed to the Company through the granting of additional marine fill rights in the area between Centro de Convenciones Atlapa and former Marcos A. Gelabert Airport. At December 31, 2004 and 2003, the Company has the right to exercise marine fill rights for the equivalent of 7.4 hectares.
- Ten years before the end of the period of the Concession, the Company is required to provide a deposit that guarantees the investment of the project with the same level of service as constructed originally.
- The agreed amount recoverable by the Company is the following:

a. Investment	\$222,322,295
b. Reasonable profit	<u>84,112,886</u>
Total	<u>\$306,435,181</u>
- Starting at the beginning of operations and during the first three years thereafter, toll fees may be adjusted in accordance with the variation of the "Consumer Price Index" or at the moment that such Index increases by 5% or more with respect to the last indicator adjustment effected. Starting in the fourth year of the concession and until the ninth year of operation, the Company is authorized to increase the toll fees by 25%. Starting in the ninth year of the concession, if within the following three months of each fiscal year the toll fees do not reach the total recoverable amount according to the financial program, the Company will have the right to increase the toll fees. If market forces do not allow for the raising of the toll fees, the Government guarantees, in accordance with the Concession Contract, that the Company will obtain the recoverability of its investment and the agreed yield, extending the Concession term as necessary.

- The causes of termination of the Concession are the following:
 1. When the works subject to the Concession are not performed in the agreed form and terms;
 2. When the subject matter of the Concession is changed without authorization from the Government;
 3. When the Concession or its properties are transferred, assigned or taxed without authorization from the Cabinet Council of the Republic of Panama, or when the properties are used for other purposes than the subject of the Concession;
 4. When paragraphs 1, 2, 3 and 5 of article 13 of Law 5 of April 1988 are not fulfilled;
 5. When the judicial bankruptcy of the Company is declared or when the Company is determined to be financially or technically unable to perform under the terms of the Concession Contract.
 6. In the event of expropriation by the Government of the Corredor Sur Concession, the Government is liable for compensatory payments to the Company based upon the Company's net invested amount at the date of expropriation, the expected future return on the invested amount and the time value of money, as described in clause tenth of the Concession Contract.

The Company's right to collect the tolls and ancillary services fees under the Concession Contract of Corredor Sur is pledged as a guarantee of the debt with International Finance Corporation (I.F.C.) in the amount of \$52,125,000.

During the construction phase of the Corredor Sur, changes to the original project were requested by the MOP and were performed. Such changes required that the Company provide additional investment funding. In order to resolve claims by the Company related to such additional investments and disbursements, the Company and the MOP agreed to submit to arbitration. On October 16, 2003, the Arbitration Court proceeding was formally assigned to the Conciliation and Arbitration Centre of Panama. On December 19, 2003, the Company filed before such court the arbitration demand against the Panamanian Government.

A ruling was issued on July 14, 2004 by the Conciliation and Arbitration Centre of Panama, and accepted by both parties on August 5, 2004. The Company was awarded \$25,053,238, including financial costs, which at the time of the ruling amounted to \$7,919,314. Additionally, the ruling established that interest would continue to accrue on the awarded amount until the Government settles the obligation.

As of December 31, 2004, although no indications of impairment were present, the Company determined the value in use of the investment in the Corredor Sur through a discounted cash flow calculation prepared by an independent consultant. Based on projections of future traffic and revenue by an expert, it was concluded that no impairment adjustment was necessary for the investment.

3. RIGHTS TO BE RECEIVED FROM THE GOVERNMENT

A summary of the rights to be received from the Government as of December 31, 2004 and 2003 is as follows:

	2004	2003
	Rights to fill marine areas	Rights to fill marine areas
Cost		
At January 1	\$ 4,749,276	\$ 3,532,819
Additions	18,975	1,858,639
Reductions	<u> </u>	<u>(642,182)</u>
Carrying amount		
At December 31	<u>\$ 4,768,251</u>	<u>\$ 4,749,276</u>

According to the third, fifteenth and sixteenth clauses of the Concession Contract signed between the Company and the Government of the Republic of Panama, the Company has the right to receive from the Panamanian Government rights to fill the marine area located between Centro de Convenciones Atlapa and the former Marcos A. Gelabert Airport, as a reimbursement of the costs related to the investment in the concession.

4. AMOUNTS RECEIVABLE FROM THE GOVERNMENT

	Additional disbursements for the relocation of the airport	Mainland concession contract	Additional disbursements for La Playita	Arbitration ruling	Total
Cost					
At January 1, 2003	\$ 3,313,149	\$ 4,324,714	\$ 3,396,502	\$ -	\$11,034,365
Additions	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2003	3,313,149	4,324,714	3,396,502		11,034,365
Additions				25,053,238	25,053,238
Proceeds from arbitration settlement	<u> </u>	<u>(4,324,714)</u>	<u>(3,396,502)</u>	<u> </u>	<u>(7,721,216)</u>
Carrying amount					
At December 31, 2004	<u>\$ 3,313,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,053,238</u>	<u>\$28,366,387</u>

The amounts receivable from the Government consist of disbursements solicited by and effected on behalf of the MOP, and the right to receive land from the Government, recorded at

fair value. Fair value has been determined based on appraisals performed by recognized independent appraisal firms.

As indicated in Note 2, in the July 14, 2004 ruling issued by the Conciliation and Arbitration Center of Panama, and executed on August 5, 2004, the Company was awarded \$25,053,238 million, including financial costs. This amount included a payment for previously recorded amounts related to lands to be received, from the mainland Concession Contract (4.1 hectares) and additional disbursements related to La Playita.

5. INVENTORIES

Inventories, which consist of investments in land, are as follows:

	2004	2003
Balance, beginning of year	\$ 2,490,305	\$ 6,774,982
Development and improvements	1,019,473	1,773,050
Less cost of land sold	<u>(2,263,386)</u>	<u>(6,057,727)</u>
Balance, end of year	<u>\$ 1,246,392</u>	<u>\$ 2,490,305</u>

As of December 31, 2004, the land inventory is comprised of lots #223929 and #223393. Lot #223393 with a carrying amount of \$384,228 has collateralized a loan from Bancafe (Panama), S.A., with an outstanding balance as of December 31, 2004 of \$300,000.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables at the balance sheet date were comprised of amounts receivable from land sales and ancillary services.

7. TRUST FUNDS WITH SPECIFIC USE

The trust funds with specific use corresponds to the daily collection of the toll fees received by the Company and fees for ancillary services, which serve as a guarantee and are primarily for the payment of the loan contract between ICA Panama, S.A. and International Finance Corporation (I.F.C.), dated September 29, 1999. Such trust was established pursuant to an "Irrevocable Trust Contract" between the Company and Banco General, S. A. (the "Manager"), dated September 29, 1999, with the objective of serving as a recipient for the collection of debt and related interests to IFC, as well as for payments on the operation, administration, and maintenance expenses of the Corredor Sur in accordance with the conditions established in such contracts. The Loan Agreement and the Trust Agreement establish certain restrictive clauses for the specific use of the funds available in the trust, such as reserves for debt limits, dividend payments, the notification and documentation to I.F.C., the contracting of insurance policies, as well as the requirement to maintain certain financial ratios. For the years ended December 31, 2004 and 2003, all these restrictions resulting from the Loan and Trust Agreements were met. Deposits on saving accounts of the trust accrue annual interests rates of approximately 1.5%.

8. SHARE CAPITAL

At December 31, the share capital of the Company is as follows:

	Authorized capital	Par value	Stocks issued and fully paid
2004	<u>\$ 155,268,973</u>	<u>\$ 1,552,689.73</u>	<u>100</u>
2003	<u>\$ 152,199,289</u>	<u>\$ 1,521,992.89</u>	<u>100</u>

The Company has one class of ordinary shares.

During the year ended December 31, 2004, in different stockholder meetings, increments to authorized capital were approved by means of modifications in the third clause of the Corporation By-Laws of the Company staying finally as stated above.

The last increment of authorized capital registered in the Public Registry was effected by means of Public Deed N°21,167 of December 18, 2004, increasing the authorized capital to \$155,268,973 divided in 100 shares with a par value of \$1,552,689.73. As a result of the increments made during the year 2004, capital contributions payments were received for an amount of \$3,069,684.

9. BANK LOANS

	2004	2003
Bank loans		
International Finance Corporation (I.F.C)/ICA Panamá, S.A. Trust		
Loan matures bi-annually from October 31, 2001 to October 31, 2011, bearing interest bi-annually from Libor plus 4.000% to 4.125% annually. This loan is guaranteed by the toll and ancillary service fees deposited in the Trust managed by Banco General, S.A. with a common guarantee of Empresa Ica Sociedad Controladora, S.A. de C.V.	\$ 52,125,000	\$ 58,500,000
Multi Credit Bank, Inc.		
Loan guaranteed by a first mortgage in favor of the bank on property #215138, maturing on December 18, 2004 and bearing annual interest at 11%. This loan was cancelled on April 23, 2004.		1,038,544

	2004	2003
Banco General, S.A.		
Revolving line of credit managed by Banco General, S.A. as Administrative Agent of which \$36,000,000 were used, guaranteed by a first mortgage over properties #182238, #183353, #199191, #214033, #214259, #214262, #214456, #215250, #215259 y #216278, located in the former Marcos Gelabert Paitilla Airport, according to public deed N°11,730, registered in the Public Registry. Properties under mortgage are cleared upon repayment of the related mortgage. A detail of the balance by participant bank is shown as follows:		
Banco General, S.A.		272,872
Primer Banco del Istmo, S.A. – Banistmo		295,609
Banco Nacional de Panamá		113,691
Banco Continental de Panamá, S.A.		68,222
Credicorp Bank, S.A.		45,469
Caja de Ahorros		22,737
All these loans, under which Banco General, S.A. acted as the agent, were paid in full as of March 29, 2004.		
Bancafé (Panamá), S.A.		
Loan with mortgage guaranty over property #223393, with maturity from April 22, 2003 to May 22, 2005 at an annual interest rate of 7.25%		
	<u>300,000</u>	<u>385,000</u>
Total	52,425,000	60,742,144
Less: current portion	<u>(7,175,000)</u>	<u>(8,617,144)</u>
Loans: due after one year	<u>\$ 45,250,000</u>	<u>\$ 52,125,000</u>

The borrowings are repayable as follows:

Within one year	\$ 7,175,000
In the second year	7,450,000
In the third to fifth years inclusive	22,800,00
	0
After five years	15,000,00
	<u>0</u>
Total	<u>\$ 52,425,000</u>

The average interest rates paid were as follows:

	Year ended 2004	Year ended 2003
Bank loans	6.3%	7%

The directors estimate the fair value of the Company's borrowings as follows:

	2004	2003
Banks loans	<u>\$ 51,095,574</u>	<u>\$ 58,545,940</u>

10. PROVISIONS

An analysis of provisions as of December 31, 2004 and 2003 is as follows:

	Major maintenance	Labor benefits	Total
At January 1, 2003	\$ 1,727,159	\$ 115,273	\$ 1,842,432
Additions		164,577	164,577
Reductions	<u>(1,191,728)</u>	<u>(204,902)</u>	<u>(1,396,630)</u>
At December 31, 2003	535,431	74,948	610,379
Additions	1,176,025	69,080	1,245,105
Reductions	<u>(264,010)</u>	<u>(47,822)</u>	<u>(311,832)</u>
Carrying amount At December 31, 2004	<u>\$ 1,447,446</u>	<u>\$ 96,206</u>	<u>\$ 1,543,652</u>

11. INDEMNIFICATION PAYABLES

Indemnification payables consists mainly of obligations, owed by the Company, in cash or kind, and which originate from damages to privately owned lands that are located in the right of way of the Corredor Sur.

12. RELATED PARTIES

During the year, the Company entered into the following transactions with related parties, who are not part of the Company:

	Amounts owed by related parties		Amounts owed to related parties	
	Year ended 2004	Year ended 2003	Year ended 2004	Year ended 2003
Parent company:				
ICATECH Corporation	\$	\$	\$ 39,193	\$
Other companies of the Group:				
Ingenieros Civiles Asociados Panamá, S.A.			2,126,959	2,597,563
Asesoría Técnica y Gestión Administrativa, S.A. de C.V.			2,246,042	2,246,042
Maxipista de Panamá, S.A.			711,547	1,021,452
Controladora de Operaciones de Infraestructura, S.A. de C.V.			174,544	180,645
Grupo ICA, S.A. de C.V.			73,512	73,712
Maxipistas, S.A. de C.V.			54,514	54,514
Ingenieros Civiles Asociados, S.A. de C.V.			51,172	51,172
Constructoras ICA, S.A. de C.V.			32,494	32,494
Autopistas Concesionadas de Venezuela, S.A.			23,984	
Empresas ICA Sociedad Controladora, S.A. de C.V.			7,696	
CPC, S.A. de C.V.	40,693	40,693		
Ingenieros Civiles Asociados Colombia, S.A.		1,192		
Total	<u>\$ 40,693</u>	<u>\$ 41,885</u>	<u>\$ 5,541,657</u>	<u>\$ 6,257,594</u>

The Company is a member of a group of related companies, and, as disclosed in this note, enters into certain transactions and business relationships with such companies. The transactions and business activities with these related companies originate from the construction, maintenance and operation of the Corredor Sur.

The Company paid Maxipista de Panama, S.A., an amount of \$2,850,468 in 2004, 2003 and 2002, respectively, for services rendered related to the operation and maintenance of the Corredor Sur. Also, the Company received fees for administrative services from Maxipista de Panama, S.A. amounting to \$372,000, \$288,000 and \$319,813 in 2004, 2003 and 2002, respectively.

13. INTEREST INCOME

A summary of interest income is as follows:

	2004	2003	2002
Interest receivable from the Arbitration Court:			
As to ruling date	\$ 6,747,010	\$	\$
After ruling date	718,217		
Interest received from trust funds with specific use	<u>135,795</u>	<u>96,058</u>	<u>70,784</u>
Balance, end of year	<u>\$ 7,601,022</u>	<u>\$ 96,058</u>	<u>\$ 70,784</u>

As stated in Note 2, the Arbitration Court ruling awarded financial interest in favor of the Company, as of the date of the ruling, totaling \$7,919,314. From the previous amount, \$6,747,010 corresponds to interest not previously considered as borrowing costs included in the cost of the concession. Such interest was calculated from the beginning of the operations of the Corredor Sur, until July 14, 2004, date of the ruling, based upon a 9% annual rate of interest. Interest on the outstanding amount will continue to accrue until settled by the Government.

14. OPERATION AND MAINTENANCE COSTS

A summary of operation and maintenance costs is as follows:

	Year ended 2004	Year ended 2003	Year ended 2002
Operation and minor maintenance costs	\$ 2,850,468	\$ 2,850,468	\$ 2,850,468
Major maintenance costs	1,176,025	(1,172,748)	564,367
Insurance	<u>430,429</u>	<u>440,933</u>	<u>495,896</u>
Total	<u>\$ 4,456,922</u>	<u>\$ 2,118,653</u>	<u>\$ 3,910,731</u>

The operation costs correspond to the payment issued to the operator Maxipista de Panama, S.A., a related company, in charge of the operation and maintenance of the Corredor Sur, in accordance with the Administration Agreement.

Major maintenance costs are meant to recognize estimates of costs that will be made in the year 2005 in accordance with the maintenance plan established for such purpose and in compliance with the Concession Contract.

During the year ended December 31, 2003, as a result of a technical re-evaluation of the physical structure of the Corredor Sur, the Major Maintenance Plan estimates developed by management was revised, and the Company recorded a reversal of the previously recorded provision for maintenance expense in the amount of \$1,172,748.

15. INTEREST EXPENSE

	Year ended 2004	Year ended 2003	Year ended 2002
Interest on loans	<u>\$ 3,256,619</u>	<u>\$ 4,352,671</u>	<u>\$ 6,168,212</u>
Total borrowing costs	<u>3,256,619</u>	<u>4,352,671</u>	<u>6,168,212</u>
Total	<u>\$ 3,256,619</u>	<u>\$ 4,352,671</u>	<u>\$ 6,168,212</u>

16. INCOME TAX EXPENSE AND TAX BENEFITS

The Company's income tax returns, including that for the year ended December 31, 2004, are subject to review by the fiscal authorities for a minimum of the last three fiscal periods, in accordance with the current Panamanian tax law.

The following are the major deferred tax liabilities and assets recognized by the Company and movements thereon during the current period:

	Depreciation	Labor obligations	Reserves	Total
At January 1, 2004	\$	\$	\$	\$
Charge to income for the year	<u>85,476</u>	<u>2</u>	<u>(70,728)</u>	<u>14,750</u>
At December 31, 2004	<u>\$ 85,476</u>	<u>\$ 2</u>	<u>\$ (70,728)</u>	<u>\$ 14,750</u>

Certain deferred taxes assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	2004	2003	2002
Deferred tax liabilities	\$ 85,478	\$ -	\$ -
Deferred tax assets	<u>(70,728)</u>	<u></u>	<u></u>
Total	<u>\$ 14,750</u>	<u>\$ -</u>	<u>\$ -</u>

The tax charge for the year can be reconciled to the statutory tax rate, as follows:

	Year ended 2004	Year ended 2003	Year ended 2002
Net income/(loss) for the year	<u>\$ 8,106,198</u>	<u>\$ (694,411)</u>	<u>\$ 5,197,857</u>
Tax expense (benefit) at the domestic income tax rate of 30%	\$ 2,431,859	\$ (208,323)	\$ 1,559,357
Increase (decrease) resulting from:			
Effect of tax exemption (see below)	(2,127,877)	208,323	(1,559,357)
Non-deductible expenses	<u>48</u>	<u> </u>	<u> </u>
Income tax expense for the year	<u>\$ 304,030</u>	<u>\$ -</u>	<u>\$ -</u>

The Concession Contract establishes that the Company will have the right to the following fiscal benefits:

1. Starting with the assignment of the Concession and during the execution of the work, the assets subject to the Concession will be exempt from:
 - a) The value added tax and import tax of the machinery, equipment, supplies, materials, and general goods that are destined to the execution of the work subject to the Concession.
 - b) Re-export tax.
 - c) Value added tax (VAT).
 - d) Income tax.
2. During the administration of the Concession, the Company will have the following rights and exemptions:
 - a) Income tax in accordance with the following scale:
 - 100% during the first five years
 - 75% during the following five years
 - 50% during the remaining years of the Concession
 - b) 100% of the stamp tax.
 - c) 100% of import tax on the maintenance and operating equipment essential in the administration of the works under the Concession.
 - d) 100% of value added tax on the importation of maintenance and operating equipment essential in the administration of the works under the Concession.

3. The Company will have the first option to perform ancillary services related to the Concession and will be able to receive the incentives given by the respective development laws.

17. NON-CASH TRANSACTIONS

Additions to the rights to be received from the Government amounting to \$1,858,639 during the year 2003 were recorded according to the fifteenth and sixteenth clauses of the Concession Contract with a corresponding credit to investment in Concession.

18. CONTINGENCIES

1. The Company is subject to a claim, filed by Roberto Alfaro, Gloria Esther Cedeño and others, that was admitted by a resolution dated January 12, 2000 and is located in the Sixteenth Court of the Civil Branch Circuit of the First Juridical Judicial Circuit of Panama.

The claim is for compensation to the residents near the Corredor Sur for supposed damages that the construction of the Corredor Sur has caused to them. The amount of the claim has been estimated by the plaintiffs at \$30,000,000.

According to the plaintiffs, their claim is based on several facts, related to, among others, the following:

- Emotional and moral damage: plaintiffs pleaded that the explosions and the noise of the trucks have affected their well being.
- Plaintiffs' health has been affected: plaintiffs claim that the construction of the Corredor Sur has caused environmental contamination in the Bay of Panama.
- The value of the real estate where they live has been reduced due to the construction of the Corredor Sur.

The court decided to include the Ministry of Public Works (MOP) in the process, following ICA Panama's presentation of a joinder request. The Company has requested the participation of the Government, as the Government should assume any negative ruling against the Company since the Corredor Sur is a public work.

The court, after initial proceedings and presentation of evidence has not concluded on each parties' objections to the admissibility of such evidence. Therefore, it has not been possible to move on to the next phase of the judicial proceedings and to a final ruling by the court. The Company's lawyers have filed a request to terminate the proceedings since the present lawsuit has been inactive for more than two years. The Company believes that are strong grounds for the Court to accept this request and order the termination of the process. The Company's counsel expects a decision to be taken by the court within two months. The plaintiffs may appeal any such decision by the court to terminate the proceedings, which would prolong the judicial process.

2. There is a claim by Caja de Seguro Social (CSS) against ICA Panama, S. A. in the Twelfth Circuit Court – Civil Branch. The claim is for damages caused by the Corredor Sur project to lands owned by Caja de Seguro Social for the amount of \$12,327,987.

The Twelfth Court of the First Circuit, Civil Branch, determined its verdict on January 31, 2003, ordering ICA Panama, S.A. to pay the following amounts to Caja de Seguro Social:

- a. The amount of \$6,016,448 for actual value of the two plots of land of the property N°71.314, owned by Caja de Seguro Social that were left without access to a public road.
- b. The amount of \$1,022,796.90 for interest, and
- c. The amount of \$651,644.84 for costs, plus expenses that would be subsequently settled.

The Company's lawyers appealed before the First Superior Court of Justice (second request) and presented certain additional evidence dated March 31, 2003. At the present, the Court has not rendered a decision on the appeal.

The external counsel of the Company has considered that the ruling in this claim may be resolved during the first months of 2005. Although no assurances can be provided, the Company believes that a ruling favorable to the Company will result.

The Company has recorded a provision for \$371,617 corresponding to the estimated value of such lands before the construction of the Corredor Sur and has not made any additional provision related to the claimed amount, based upon management's belief that their legal arguments will be upheld. However, if the final ruling should be unfavorable to the Company, the Concession Contract establishes that any amount that exceeds \$17,772,000 duly sustained and approved by the Government will be considered as part of the investment and will be recovered by means of additional marine fill rights in the area between the former Marcos A. Gelabert airport and Centro de Convenciones Atlapa for the equivalent of the excess.

3. There has been a claim for unjust enrichment filed before the Ministry of Economy and Finance by the law firm of Morgan & Morgan, based upon a claim of hidden assets, which seeks a total recoverable amount of \$56,000,000. The Attorney General of Panama issued his opinion indicating that the claim is not compatible with the concept of hidden assets established by Article 80 of the fiscal code.

The Ministry of Economy and Finance resolved through its Resolution No. 92 as of August 9, 2004 that the claim does not represent hidden assets. The plaintiffs can appeal this resolution.

4. There is a claim for unjust enrichment filed by Mr. Victor Martinez and Mr. Willie Cochez before the Ministry of Economy and Finance for hidden benefits derived from a decrease in cost of the work related to the change of the route of the highway for the amount of \$8,725,829.

The Ministry of Economy and Finance pronounced that the Resolution No. 088 of August 4, 2004, in which the plaintiffs are denied the presentation of additional evidence to that previously presented. Such resolution is pending notification to the plaintiffs and there is the possibility of filing an appeal against such resolution before the Third Branch of the Supreme Court of Justice. After such notification is given, the Attorney General of Panama will provide his opinion on the claim and thereafter, the Ministry of Economy and Finance will pronounce their opinion on the legal of the claim

The Company's counsel believes there is evidence to support a rejection of the claim by the Ministry of Economy and Finance, which it is expected will be announced by mid-year 2005.

5. There is a claim for financial fraud filed by Mr. Victor Martinez and Mr. Willie Cochez before the Ministry of Economy and Finances for toll road fees charged in an amount greater than the amount approved by cabinet decree and for non-declaration of the corresponding revenue. Such claim does not specify the amount of the claim.

The external counsel of the Company considers that such claim for fiscal fraud will be rejected since the increase in toll fees had been in conformity with the procedures contractually established and approved.

6. There is a claim filed before the Fourteenth Circuit Court – Civil Branch by Cooperativa de Trabajadores y Expendio de Alimentos Sammy R.L. for the amount of \$1,550,771 for damages caused by the closing of the restaurant, Restaurante Sammy.

The Company has requested that the Government be included in the claim. In the event that there is a negative ruling against the Company, it is expected that the Panamanian Government should assume any penalties assessed or reimburse such penalties to ICA Panama, S.A. as the Corredor Sur is a public work.

7. There are other claims related to the Company, which total \$1,835,898. The external counsel of the Company has informed management that some claim processes have not been given notification by the court and others are in the process of being resolved in favor of the Company.

19. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved by the Board of Directors and authorized for issuance on January 21, 2005.

* * * * *

**SUMMARY OF DIFFERENCES BETWEEN
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AND
ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

The financial statements of ICA Panama, S.A. are prepared and presented in accordance with IFRS, which differs in certain significant respects from U.S. GAAP. Certain differences between accounting principles according to IFRS and U.S. GAAP that are relevant to ICA Panama, S.A. are summarized below. In addition to the differences in accounting principles described below, presentation differences also exist between the financial statement presentation of assets and liabilities and revenues and expenses pursuant to IFRS and U.S. GAAP.

Classification of Deferred Tax Assets and Liabilities

IFRS

According to IFRS, all deferred tax assets and liabilities are classified as non-current for purposes of financial reporting.

U.S. GAAP

According to U.S. GAAP, deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for purposes of financial reporting. A deferred tax liability or asset that is not related to an asset or liability is classified according to the expected reversal date of the temporary difference.

Capitalization of Financing Costs

IFRS

IFRS requires interest, certain ancillary costs, and exchange differences that are regarded as an adjustment of interest to be included in the determination of financing costs eligible for capitalization.

U.S. GAAP

U.S. GAAP requires the capitalization of interest during construction on qualifying assets. U.S. GAAP does not allow the capitalization of foreign exchange gains and losses.

Impairment of Long-Lived Assets

IFRS

IFRS requires an evaluation, on each balance date, if there exists any indication that an asset or asset group may be impaired. If any such indication exists, the impairment is evaluated and an impairment loss is recorded when the carrying amount is greater than the amount that can be recovered from the asset or asset group. The amount that can be recovered is the higher of the net selling price of the asset or asset group (amount obtainable from the sale of an asset or asset group in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and its value in use (discounted present value of estimated future cash flows expected to arise from the continuing use of an asset or asset group and from its disposal at the end of its useful life). If certain criteria are met, subsequent reversal of an impairment loss is required.

U.S. GAAP

According to U.S. GAAP, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of an asset or asset group is determined not recoverable when the estimated future undiscounted cash flows expected to result from the use of the asset are less than the carrying value of the asset. An impairment loss is recorded if the carrying amount of an asset or asset group is not recoverable and exceeds its fair value. Any impairment losses recorded represent a new cost basis and, therefore, cannot be reversed in the future.

Recognition and measurement of provisions

IFRS

IFRS requires a provision to be recognized when and only when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A past event is deemed to give rise to a present obligation if, taking into account of all available evidence, it is more likely than not that a present obligation exists at the balance sheet date.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation as of the balance sheet date. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities using the “expected value” method. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. Provisions are discounted if the effect of the time value of money is material.

U.S. GAAP

According to U.S. GAAP, an estimated loss from a loss contingency shall be accrued by a charge to income if and only if information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements (it is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss) and the amount of loss can be reasonably estimated.

If a range of estimates is present and no amount in the range is more likely than any other amount in the range, the minimum amount should be used to measure the liability. However, if any amount in the range is a better (more likely) estimate than other amounts in the range, that amount is used to measure the liability. Certain amounts recorded as provisions are not discounted.

INDEPENDENT TRAFFIC STUDY

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Merrill Lynch / ICA

Corredor Sur

Traffic Study

October 2004

Halcrow Group Limited

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Merrill Lynch / ICA

Corredor Sur

Traffic Study

Contents Amendment Record

This report has been issued and amended as follows:

Issue	Revision	Description	Date	Signed
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Contents

1	Introduction	1
1.1	<i>Objectives & Context</i>	1
1.2	<i>Report Structure</i>	1
2	Panama City – Context	2
2.1	<i>Administrative and Physical Characteristics</i>	2
2.2	<i>Political Context</i>	2
2.3	<i>Transport Context</i>	3
2.4	<i>Economic, Socio-Economic and Planning Context</i>	5
3	Corredor Sur	10
3.1	<i>Description</i>	10
3.2	<i>Historic Traffic and Toll Revenues</i>	12
3.3	<i>Toll Revenues</i>	17
3.4	<i>Impact of June 2002 Toll Increases</i>	18
3.5	<i>Construction and Design</i>	21
4	Issues for Traffic/Tolls and Maintenance	27
4.1	<i>Traffic</i>	27
4.2	<i>Maintenance Issues</i>	35
5	Corredor Sur – Forecasts	39
5.1	<i>Traffic and Toll Revenues</i>	39
5.2	<i>Highway Maintenance Costs</i>	50
6	Conclusions & Recommendations	55
6.1	<i>Traffic & Tolls</i>	55
6.2	<i>Highway Maintenance</i>	56
Annex A		58
	<i>Map of Corredor Sur</i>	58

1

Introduction

1.1

Objectives & Context

1.1.1

ICA is the operator of the Corredor Sur Toll Road in Panama and about to re-finance the debt associated with this project. Together with its financial adviser, Merrill Lynch, the company would like an independent assessment of the likely future traffic and revenue streams and an opinion on the condition of the asset and likely future maintenance requirements. Halcrow has been appointed by Merrill Lynch to undertake this assessment.

1.1.2

The required study is essentially confined to an independent assessment of likely future toll revenues and maintenance cost streams based on an examination of existing information and a short visit to the Corredor Sur and its corridor. The physical condition of the asset has been judged on the basis of a visual examination during this visit.

1.1.3

Halcrow's work has been confined to within a 3 week period and it has undertaken these tasks on the basis of existing information made available to its staff and conclusions that can be drawn from a short inspection visit to the site.

1.2

Report Structure

1.2.1

Following this Introduction, a brief description of the political, planning, economic and transport situation in Panama is given in Chapter 2. Chapter 3 describes the historic and current state of Corredor Sur in the context of traffic, revenues and physical condition. Chapter 4 examines key issues that will affect Corredor Sur's future traffic, toll revenues, and maintenance regime. Our forecasts for future toll revenues and maintenance costs are set out in Chapter 5. Finally, Chapter 6 contains our conclusions and recommendations.

2

Panama City – Context

2.1

Administrative and Physical Characteristics

2.1.1

Panama is the name of the Country, the Province and the District. In the context of this report, Panama refers to the existing and likely future metropolitan area of Panama City. We have taken this area to comprise the 13 *corregimientos* which are generally considered to be part of this area (San Felipe, El Chorrillo, Santa Ana, La Exposicion o Calidonia, Curundu, Betania, Bella Vista, Pueblo Nuevo, San Francisco, Parque Lefevre, Rio Abajo, Juan Diaz, Pedregal), 6 more *corregimientos* that will be effectively incorporated within the metro area as the urban frontier expands to the east (Ancon, Chilibre, Las Cumbres, Pacora, San Martin, Tocumen), and the San Miguelito district that is also considered to be part of the metro area of Panama City. San Miguelito has only five *corregimientos* (Amelia Denis de Icaza, Belisario Porras, Jose Domingo Espinar, Mateo Iturralde, Victoriano Lorenzo).

2.1.2

The financial and Central Business Districts of the city lie at the western end of Corredor Sur, with its eastern boundary effectively at the former domestic airport to the city (Paitilla Airport). Following the end of US control of the Panama Canal, the domestic airport has now moved to the former US military Albrook Airport (now renamed Marcos Gelabert Airport) to the north west of the CBD. The redevelopment of Paitilla airport (17 Ha.) is part of the Corredor Sur concession, along with a further 27.5 Hectares of an adjacent sea reclamation project. Both sites are on the edge of Panama's financial district and appear to be well located with good access to the Corredor Sur. Construction work has started at the old airport site and is close to completion.

2.2

Political Context

2.2.1

The current President (Mrs Mireya Moscoso) has stepped back from the neo-liberal economic programme of her predecessor (Perez Balladares) who initiated the privatisation programme. However, in the May 2004 national elections, Mr. Martin Torrijos was elected the new President and his first day in office was September 1st, 2004. Mr. Torrijos belongs to the same political party as the former President, Mr. Perez Balladares. This party also has the majority in Congress and holds the Major's office of the City of Panama, (Mr. Juan Carlos Navarro has been re-elected as Major of the city of Panama). The most influential public posts in Panama are thus under the control of the same political party which should

accelerate the decision-making process. Nevertheless, there appears to be some concerns about informal financial practices that have affected some transport projects (but not Corredor Sur). In this environment, there is inevitably a slowing down of decisions by government officials of initiatives that could be seen to help the private sector. This potentially affects the Corredor Sur in two different ways:

- it becomes difficult to resolve problems that are outside the control of the Corredor Sur's operators but which nevertheless impact on its performance (for example, resolving the access problems to/from Corredor Sur through traffic management or improvement schemes on the adjacent network); and
- there is a lower likelihood of competing new or improved infrastructure coming rapidly on stream (for example, the completion of Corredor Norte).

2.3

Transport Context

2.3.1

Panama's principal highway network (see map in **Annex A**) essentially runs parallel to the coast, converging on the Bella Vista, Calidonia, and Santa Ana areas where much of the City's employment is located. Residential areas for most of the working population tend to be to the east of these areas in Pedregal, Juan Diaz, Pacora and Tocumen.

2.3.2

The main East-West road is Av. Domingo Diaz, which splits into Av. Domingo Diaz and Av. Jose Agustin Arango (becoming Av. España further in the west). These are both four-lane roads, although Av. D. Diaz is a divided arterial, and Av. Jose Arango is undivided. Both roads are congested, particularly at peak times and also at other times of the day as well (albeit to a slightly lesser extent).

2.3.3

Av. Jose Arango operates as three lanes westbound from 6:00 AM to 9:00AM between Av. Domingo Diaz and Av. Cincuentenario. Recently, the actual times that the westbound operation is in force appears to be reduced by one hour (6:00 AM to 8:00AM), although only some of the traffic signs have been altered and the police management of the system is far from clear.

2.3.4

Drivers travelling to Paitilla and Av. Balboa normally take Av. Cincuentenario at the Av. Jose Arango/Av. Cincuentenario intersection and from there use Av. Via Israel or Av. 6 Sur Santa Elena. Av. Via Israel is another undivided four-lane road that operates one way westbound during morning peak hours (6:00 to 9:00 AM or possibly 6:00 to 8:00 AM), while Av. Sta. Elena is a two-way, two lane road except at peak hours when it functions as a one-way road westbound.

- 2.3.5 Running along much of the northern fringes of the metropolitan area, Corredor Norte will eventually provide a parallel route to Corredor Sur between Tocumen and the CBD. It already exists between the Albrook airport site and Tinajitas, but is only lightly trafficked, possibly owing to the relatively high tolls currently charged (US\$1.90 for 14 km). The developers/operators of the road are believed to be in financial difficulty, and it is uncertain if they will be able to repay the next instalment on their debt financing. They are also having difficulties in extending the road further east to Tocumen as a result of some construction accidents. As a consequence of those accidents, the Government is requiring a wider right of way for the project and it is seeking re-imbursement from PYCSA (the Corredor Norte concessionaire) to recompense residents affected by the construction accidents. In the present climate, it seems extremely unlikely that the road will be completed within the next five years or indeed for a considerably longer period. This will enable Corredor Sur to consolidate its role as the main east-west thoroughfare, and tend to divert new developments towards the southern corridor where there are many available sites.
- 2.3.6 The only major new highway infrastructure that has been built in the last 3 years is the Centennial Bridge over the Panama Canal close to the Pedro Miguel locks and to the north of the metropolitan area. The bridge was due to be ‘inaugurated’ by the outgoing President in August, but at the time it was not open to traffic as its access roads had not yet been completed. Even when full highway connections are in place, traffic flows are likely to be small as the bridge will require drivers to make a significant diversion away from the city centre and the main highway on the west of the canal which is directly served by the Bridge of the Americas.
- 2.3.7 There is also a proposal for a Light Rail Transit (LRT) system. This will have two phases: the first section heads north from the city centre towards the current north end of Corredor Norte and is unlikely to affect Corredor Sur traffic demand; the second will run along Av Jose Arango/Vía España to the north of Corredor Sur. While this could attract some traffic away from the Toll Road, it will also take up some existing highway capacity in its corridor and thereby increase congestion on alternative roads. The effect on Corredor Sur could therefore be either positive or negative, but probably positive. Again, it is unlikely that this project will be in operation for a considerable number of years (certainly more than 5 and probably at least 10). It will almost certainly require some degree of Government financial support, which seems unlikely.

2.3.8

Minor improvements are taking place on the parallel roads to the north of Corredor Sur, including grade separation of the Av. Jose Arango/Av. Cincuentenario intersection, re-pavement of Via España/Agustin Arango, pedestrian overpasses, mainly on Av. Jose Domingo Diaz, and bus stop shelters throughout the City. The required improvements to Corredor Sur's access/feeder roads at Hipodromo, Llano Bonito, and Ciudad Radial seem to proceed slowly or not at all.

2.4

Economic, Socio-Economic and Planning Context

2.4.1

National and local statistics on the economy, population and employment, and vehicle ownership are summarised in **Tables 2.1 – 2.3**.

Table 2.1: National GDP in 1996 prices (\$ millions)

<i>Year</i>	<i>GDP</i>	<i>Annual growth</i>
1999	11,071.4	
2000	11,374.8	+2.7%
2001	11,439.9	+0.6%
2002	11,697.1	+2.2%
2003	12,172.1	+4.1%

Table 2.2: National Population & Employment (millions)

<i>Year</i>	<i>Population (m)</i>	<i>Employment* (m)</i>	<i>Annual Population growth</i>
1999	2.809	1.078	
2000	2.948	1.082	+4.9%
2001	3.004	1.216	+1.9%
2002	3.060	1.285	+1.9%
2003	3.116	1.315	+1.8%

* National statistics show that in the last 2 year period (2002/2003) unemployment rates were 12-14%

Table 2.3: Vehicle Ownership

<i>Year</i>	<i>Total Vehs</i>	<i>Cars/head</i>	<i>Panama City Total</i>	<i>Cars</i>	<i>Others</i>
1999	319,167	0.112	235,276	189,482	45,794
2000	321,453	0.110	236,831	189,890	46,941
2001	314,229	0.106	231,822	187,647	44,175
2002	321,690	0.106	239,111	191,113	47,998
2003	334,525	0.109	252,315	203,124	49,191

2.4.2 The airport at Tocumen was reportedly used by 1.9 million passengers in 2003. The figures for 2004 (to end July) are believed to be 2.2 million. We are uncertain as to the reliability of these data, but it is clear that there is significant growth at the airport. The number of people entering all Panama's principal ports of entry is increasing at more than 8% pa.

2.4.3 The potential traffic demand on Corredor Sur is likely to continue to increase as a result of one or more of the following:

- **Population growth in the city and corridor** – The population of the metropolitan area is just over 1 million with population growth thought to be slightly higher than the national level. Growth is generally low for the city (around 2% pa) but could be expected to be higher in the corridor due to the new developments (see below). The only potential growth area that would not be of benefit to Corredor Sur is the Canal area to the west of the CBD where housing on the former US bases is currently being sold. However, this is aimed at low-income households who would not be potential users for any toll road.
- **Increase in car ownership** – Car ownership is relatively high for a developing country with a low GDP/capita (around 158 vehicles/1,000 population in Panama City, year 2002 Census data) but is still well below the levels achieved by more developed countries. Given the 'S-shaped' curve associated with car ownership, significant and rapid growth can be expected provided the economy expands (see below) in an equitable manner that allows the majority of the population to benefit. Nevertheless, only modest growth is occurring at present (see Table 2.3).

- **Economic growth** – While the country failed to meet its target economic growth of 3.8% for 2000, the economy still grew at a lower rate of 2.7%. Many commentators had feared worse following the US withdrawal from the Panama Canal. The uncertain economic situation continued in 2001 with GDP growth of less than 1%. However, since then economic growth has been buoyant and last year exceeded 4%. Assuming reasonable economic policies are pursued by the new President, there appears to be no reason to believe that the long-term trend will not be around or even higher than the level of growth observed over the last 2 years (about 3% pa). The Finance Ministry estimates economic growth of at least 5.0% for 2004 and we understand it is forecasting 4.5% for 2005.
- **New developments in the corridor** – there are a number of major development sites along Corredor Sur where construction either is already taking place or is expected shortly. The very presence of the road is likely to accelerate the pace of these programmes. Key sites are:
 - at the Paitilla Airport and neighbouring sea reclamation project (part of the Concession with ICA), where a hospital, a shopping mall, and high-rise residential condominiums are now nearing completion,
 - at Costa del Este (where some middle to high income housing is already in place with further residential and commercial developments under construction) – Corredor Sur serves this site particularly well as it is located to the south of the toll road and hence further from possible alternative routes in either direction,
 - further east along the corridor (especially at Juan Diaz, Ciudad Radial, Don Bosco);
 - in the *corregimientos* close to, or to the east of the international airport at Tocumen (Tocumen, Pacora, and Pedregal), and
 - at the airport itself where passenger numbers appear to be increasing rapidly which will also affect employee totals as well.

2.4.4

The size and status of recent and current key housing development sites in the corridor are identified in **Table 2.4**.

- 2.4.5 In general, traffic growth would normally be a function of the growth in the economy, population, employment, and vehicle ownership; that is growth would be demand led. We do not believe that this is the case in Panama where the chronic congestion constrains the prospects for any further significant traffic growth. Future traffic growth is therefore effectively supply led to a major degree. Even with much more detailed data and an accurate traffic model of the metropolitan area, it is doubtful whether any meaningful relationships can be developed between historic traffic growth in Corredor Sur's corridor and either demand related drivers (such as the economy) and / or supply related drivers (the capacity of the highway network).
- 2.4.6 Future traffic growth on Corredor Sur will therefore depend on both continued growth in the demand side factors and the ability of the rest of the network to deliver and absorb traffic to/from the toll road.
- 2.4.7 The congestion also has other effects in that the area served by Corredor Sur effectively comprises much of the metropolitan area lying to its north. This is likely to remain the case until the extension to Corredor Norte is completed.

Table 2.4: Development Sites

<i>Site</i>	<i>Development</i>	<i>Status</i>
Brisas del Golf	1,800 Dwelling Units	finished and already occupied
Villas de Monticello	600 Dwelling Units	500 DU's already occupied
La Arboleda	450 Dwelling Units	300 DU's already occupied
La Castellana	1,000 Dwelling Units	560 DU's already occupied
Camino Real II	600 Dwelling Units	finished and already occupied
Camino Real III	450 Dwelling Units	finished and already occupied
Praderas de San Antonio	1,000 Dwelling Units	750 DU's already occupied
Altos de San Antonio	1,200 Dwelling Units	
Valle de San Antonio	312 Dwelling Units	
Quintas Altamira	200 Dwelling Units	150 DU's already occupied
La Riviera	150 Dwelling Units	
Puerta del Este	1,400 Dwelling Units	300 DU's already occupied
Los Nogales	400 Dwelling Units	250 DU's already occupied
Edificios Villas del Este	150 Dwelling Units	Construction started in 2003
Edificios Jardines de Costa del Este	90 Dwelling Units	Construction started in 2003
Costa del Este	310 HA of mixed residential, commercial and other employment	Under construction, but some housing already in situ, as well as 2 private schools
Former Paitilla Airport	17 HA of mainly commercial development	Under construction
Reclaimed Land at Punta Pacifico	34 HA of commercial development	Under construction, but some buildings already occupied
Centro Comercial – Ciudad Radial	42 HA (4 buildings)	Under construction
Centro Comercial – Ciudad Radial	40 HA (4 buildings)	Design stage
Centro Industrial – Ciudad Radial	42 HA (7 buildings)	Design stage
Hoteles – Ciudad Radial	25 HA (2 buildings)	Design stage
Centro Industrial – Pacora	400 HA	Pre-design stage
Pacora	2,400 Dwelling Units	Recently approved for construction
Tocumen	2,000 Dwelling Units	Recently approved for construction
Juan Diaz	1,500 Dwelling Units	Recently approved for construction
Pedregal	400 Dwelling Units	Recently approved for construction
Ciudad Radial, south of Corredor Sur	1,000 Dwelling Units	Under construction

3 Corredor Sur

3.1

Description

3.1.1

Corredor Sur is 19.3km dual 2-lane highway running in a north-east/south-west direction along the coast and to the south of the other principal highways in Panama (see map in **Annex A**). There are effectively 9 intersections along its length, although two are only partial junctions (east facing slips only at Punta Pacifico and west facing slips only at Don Bosco). The three junctions at the western end (Paitilla, Punta Pacifico, Atlapa) serve the CBD and development area of Paitilla airport. Between these junctions and the other intersections lies the 2km bridged section of the Corredor Sur over the sea.

3.1.2

Part of the road opened in June 1999 and the whole road from March 2000.

3.1.3

An open toll system operates on Corredor Sur, with toll plazas intersecting all movements at Atlapa and Ciudad Radial intersections (including through traffic), and trips joining/leaving the road from/to the east at Costa del Este and Hipodromo,. Current and historic toll charges are summarised in **Table 3.1**.

Table 3.1: Corredor Sur Toll Charges (autos, motorcycles, pick-ups)

<i>Location</i>	<i>Direction</i>	<i>Toll Charge (US\$) from:</i>		
		<i>June 99</i>	<i>28th June 02</i>	<i>26th June 04</i>
Atlapa	Off from west	0.35	0.45	0.25
	On to west	0.35	0.45	0.50
	Through both directions	1.00	1.25	1.25
	On/off eastbound	0.65	0.85	1.00
Costa del Este	On/off eastbound	0.35	0.40	0.40
Hipodromo	On/off eastbound	0.15	0.15	0.20
Ciudad Radial	On/off westbound	0.40	0.50	0.60
	Through both directions	0.90	1.15	1.15
	On/off eastbound	0.55	0.70	0.55

- 3.1.4 A journey along the entire 19km length of Corredor Sur by auto would therefore currently be charged \$2.40, or \$0.12/km. Trucks and buses have separate rates, which are about 1.7 times the auto rate for buses and 2.5 times for trucks (tolls for the entire length are \$4.15 for buses and \$6.05 for trucks).
- 3.1.5 Drivers can pre-pay tolls and use a swipe card at the toll booths. At Atlapa and Ciudad Radial, there are reserved automatic (unmanned) toll booths for such drivers, whilst at other toll plazas these drivers can use their cards through an automatic reader at the manned toll booths. No discount is offered for pre-paying the tolls, and the cards are renewed or increased in value at the manned toll booths. A charge of \$4.50 is made for the first issue of a card. Currently, about 20% of drivers use the pre-pay system.
- 3.1.6 In the off-peak, a journey between Paitilla and the interchange at the end of Corredor Sur near Tocumen takes 12 minutes using Corredor Sur at an average speed of 90 kph (including the time spent paying two tolls). By comparison, a similar journey that does not use Corredor Sur takes about three times as long. In the morning peak, congestion reduces average speeds on Corredor Sur to around 40-50 kph west of Hipodromo (increasing journey times to around 25 minutes), but there is much more serious congestion on other roads in its corridor where average speeds are below 15 kph over much of the Metropolitan area west of Los Pueblos. Corredor Sur offers at least a 50% reduction or more in total journey time, which probably represents a minimum of 30 minutes of saved time for most travellers to the CBD in the morning peak.
- 3.1.7 The only capacity issue currently directly affecting Corredor Sur occurs on the bridge section between Atlapa and Costa del Este. During the height of the morning peak (between 0700 to 0800 but sometimes onto 0900), traffic queues can occur inbound to the city along this section.
- 3.1.8 There are other capacity issues that indirectly affect Corredor Sur, in that the principal roads delivering and receiving its traffic are congested (except at Tocumen). In the AM peak, access is particularly difficult for vehicles travelling on Av Jose Arango/Via Espana towards the city as there is no provision in the sense of additional lanes for drivers who wish to access Corredor Sur, and they are required to make a difficult left turn across the eastbound traffic. Egress is also difficult as Corredor Sur's traffic joins either Ave Balboa in the city centre, Ave

Israel or Ave Cincuentenario, all of which are congested. It can take up to 15 minutes to access or egress from Corredor Sur. However, Corredor Sur is well sign-posted throughout the corridor.

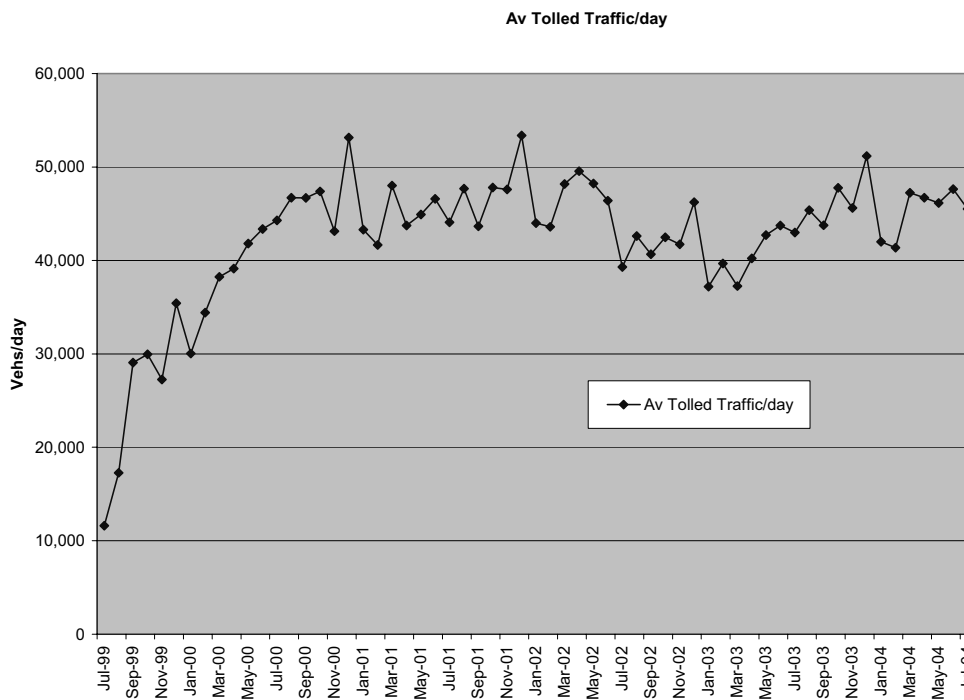
3.2

3.2.1

Historic Traffic and Toll Revenues

The average tolled traffic per day (that is, the traffic that passes through all toll booths) between July 1999 and July 2004 is shown in **Figure 3.1**.

Figure 3.1: Tolled Traffic per Day (All Vehicle Categories)



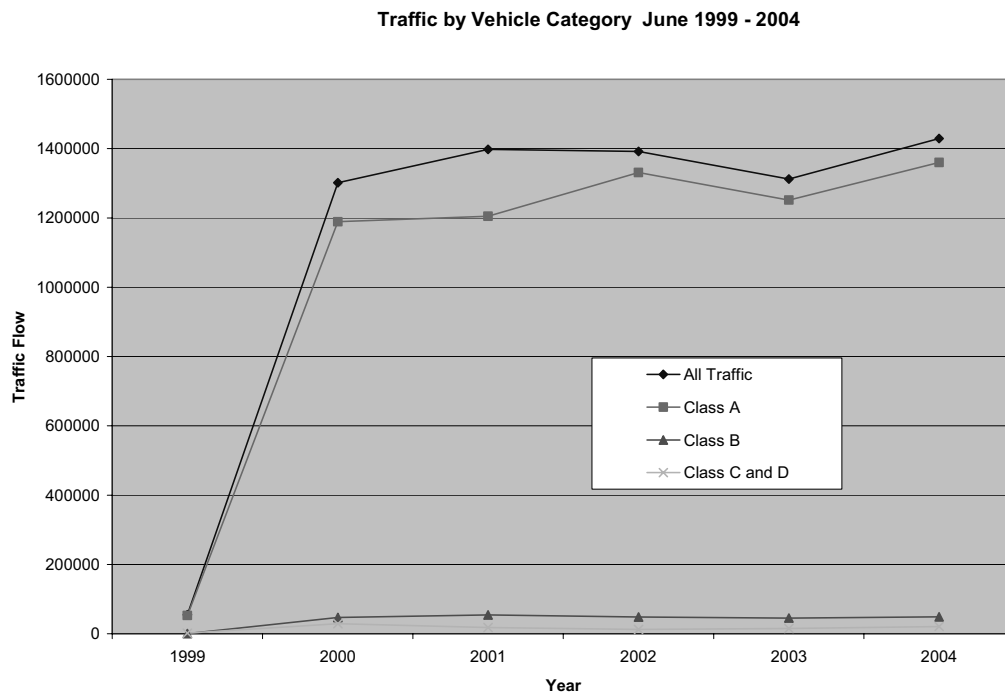
3.2.2

Following an initial ramp-up period (the period that drivers take to discover a new road) of about 18 months, more modest traffic growth continued during 2001 and the first six months of 2002. Tolls were increased on June 28th 2002 by around 26-27%. Traffic declined over the following year, but from July 2003 there has been strong and accelerating growth. Some toll rates were again changed from June 26th 2004 with reductions on the east facing ramps at Ciudad Radial (to Tocomen) and for trips from Paitilla to Atlapa, and with increases for trips from Atlapa to Paitilla, on the west facing ramps at Ciudad Radial and on east facing ramps at Hipodromo and Atlapa. Overall, tolls increased by around 7-8%. The effect of this latest toll increase on traffic is not yet clear.

3.2.3

A clearer picture of the underlying trend in traffic can be obtained by comparing the year on year outcomes for one month. **Figure 3.2** shows total monthly traffic during June from 1999 to 2004.

Figure 3.2: June Traffic 1999 – 2004



3.2.4

Corredor Sur is principally used during peak periods with over 50% of its daily traffic in weekdays occurring in the morning peak (06:00-09:00) and evening peak (16:00 to 19:00). The traffic profile over a weekday is shown in **Figure 3.3**, which clearly demonstrates the sharp AM peak and the longer but less intense PM peak. The day of the week profile is shown in **Figure 3.4**.

Figure 3.3: Hourly Traffic Profile

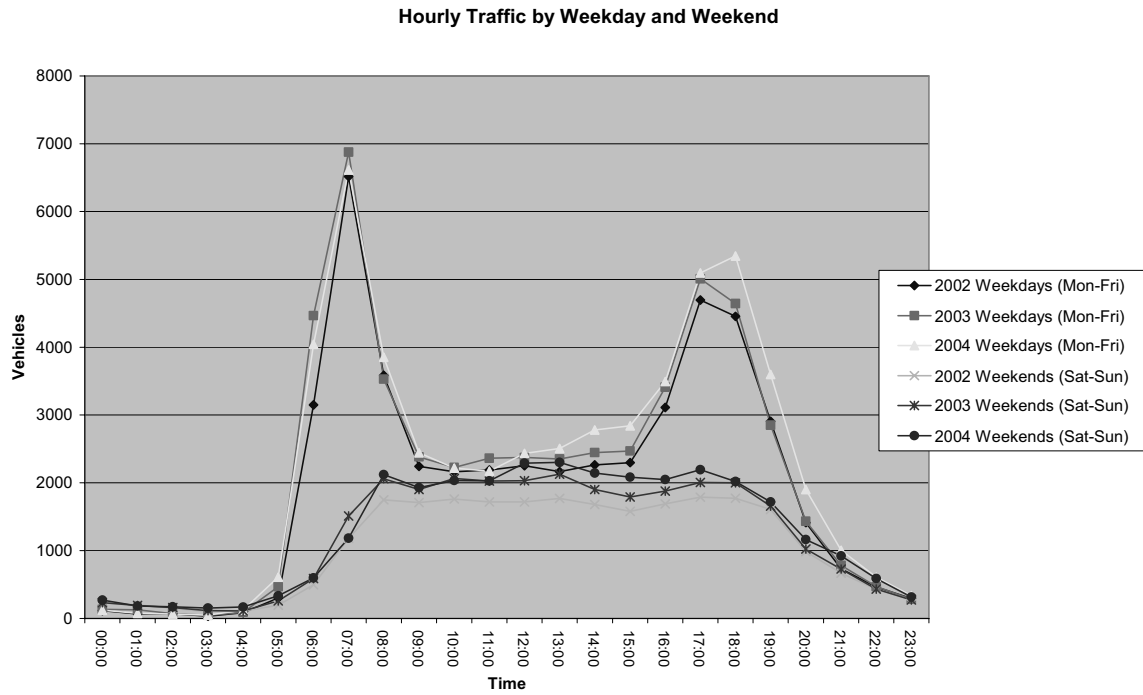
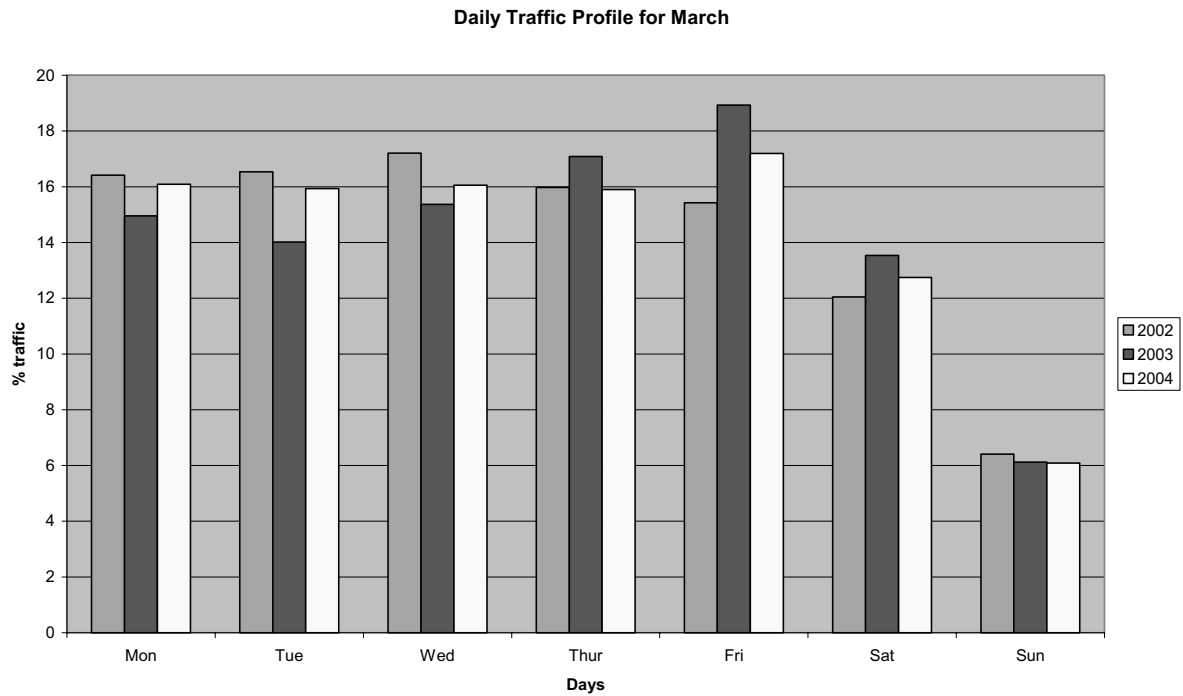


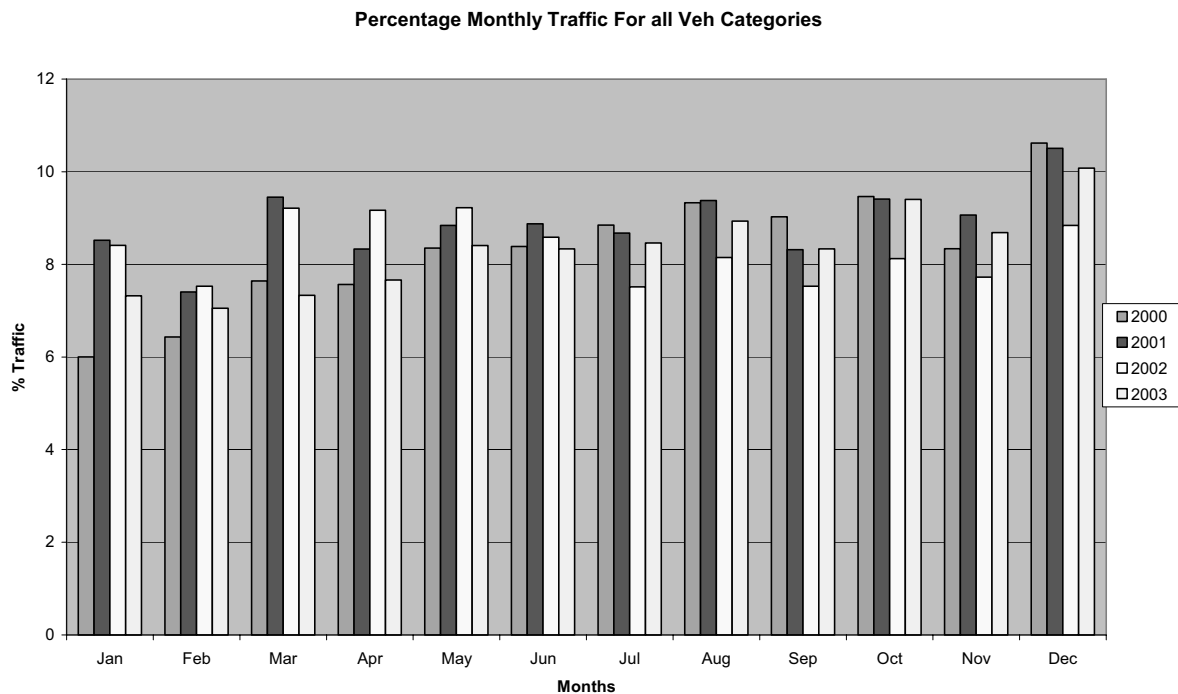
Figure 3.4: Day of the Week Traffic Profile



3.2.5 Friday is the busiest day but generally traffic levels on all weekdays are similar, with traffic on Saturdays about 20% lower than a weekday, and traffic on Sundays at less than 40% of weekday levels.

3.2.6 The month of the year profile is shown in **Figure 3.5**. December is the busiest month with generally just over 10% of annual traffic, and January and February the least busy at around 7% of annual traffic (although the changes between months over the year are exaggerated by annual growth which is also occurring).

Figure 3.5: Month of the Year Traffic Profile



3.2.7 Corredor Sur's traffic is overwhelmingly comprised of autos (toll category A vehicles). Trucks (categories C and D) were particularly affected by the June 2002 toll increases and their numbers have never regained their levels in the first 6 months of 2002. Traffic composition of tolled vehicles in 2004 are summarised in **Table 3.2**. The proportion of trucks is unlikely to increase as future toll strategy will be partly aimed at restricting their use of the toll road which has the twin advantage of reducing maintenance costs and increasing congestion on the competing roads in the corridor.

Table 3.2: Traffic Composition in 2004

<i>Vehicle Category</i>	<i>Proportion of Traffic</i>
A (Autos)	95.3%
B (Buses)	3.3%
C (Trucks)	1.0%
D (Trucks with trailers)	0.4%
Total	100.0%

3.2.8

Information on the origin-destination trip pattern, trip purpose and trip frequency of Corredor Sur's users is provided in a report by Felipe Ochoa y Asociados: 'Apoyos Técnicos para los Estudios de Tránsito, Ingresos y Mantenimiento'. The surveys were undertaken in July 2000. The results are summarised in **Table 3.3**.

Table 3.3: Trip Characteristics of Corredor Sur's Users (July 2000)

<i>Origins & Destinations</i>	<i>Proportion of Trips</i>
Tocumen, Mañanitas, Pacorra, Chepo	13%
Pedregal, Las Aracias, Don Bosco	10%
Llana Bonito, San Pedro, Ciudad Radial	9%
El Crisol, Cerro Viento, San Antonio	6%
Villa Lorena, Chanis, Santa Clara	8%
Paitilla, San Fco, El Golf	25%
Area Bancaria, Obarrio, El Carmen	11%
Casco Viejo, Calidonia, Curundu	7%
Others	11%
<i>Trip Purposes</i>	
Commuting	77%
Business	6%
Personal business	10%
Social, recreational, education	7%
<i>Trip Frequency</i>	
Daily	76%
More than once a week	19%
Occasionally	5%

3.2.9 These data emphasise the use of Corredor Sur on a regular basis by commuters (over 75% of its traffic). Assuming trip patterns and characteristics have not changed, up to 16% of Corredor Sur's users could be at risk from the completion of Corredor Norte as they are travelling to or from areas closer to its extension corridor – we have assumed 10% would actually transfer if Corredor Norte opens, although the evidence for this is weak.

3.3 ***Toll Revenues***

3.3.1 Toll revenues have increased steadily since opening (see **Table 3.4**).

Table 3.4: Toll Revenues (\$ mpa in actual year prices)

<i>Year</i>	<i>Toll Revenues \$ mpa (actual prices)</i>
1999 (June – Dec)	3.2
2000	12.2
2001	13.1
2002	14.0
2003	15.3
2004 (Jan – July)	9.4

3.3.2 Depending on the impact of the toll increase in June 2004, revenues this year can be expected to be around \$17 mpa.

3.3.3 In 2004, 90.1% of toll revenues are derived from Category A vehicles (Autos), with buses (Category B) contributing 6.8% and trucks (Categories C & D) 3.1%.

3.3.4 The proportion of total toll revenues collected at each site in July 2004 are summarised in **Table 3.5**. The importance of the main carriageway toll plazas and all plazas at Atlapa and Ciudad Radial is clear. The remaining toll plazas may not be well used but are also important to prevent revenue leakage.

Table 3.5: Proportion of Toll Revenues by Toll Plaza

<i>Toll Plaza – site</i>	<i>Direction</i>	<i>% Revenues</i>
Atlapa	Atlapa – Paitilla ramps	3.2%
	Main carriageway	51.0%
	Atlapa – C Este ramps	14.3%
	Total – Atlapa	68.5%
Costa Del Este	East facing ramps	1.4%
Chanis (Hipodromo)	East facing ramps	1.9%
Cd Radial	Cd Radial – L. Bonito ramps	3.9%
	Main carriageway	24.3%
	Cd Radial – Tocumen ramps	0.2%
	Total – Cd Radial	28.3%
Total	All plazas	100%
Total Main Plazas	Main carriageway plazas	75.3%
Total Atlapa + Cd Radial	All Atlapa & Cd Radial	96.8%

3.4

Impact of June 2002 Toll Increases

3.4.1

The impact of the June 2002 provides a valuable insight into the possible impact of future toll rises. The observed effects do not provide a complete picture as it is necessary to postulate what would have happened in the absence of any toll increase. It is also the case that the effects may not be repeated to the same degree on subsequent occasions when tolls are increased.

3.4.2

The June 2002 toll increases had two impacts on traffic and tolls:

- traffic reduced significantly over a 12 month period following the toll increase (by 13%) but is now almost back at its levels before the toll increase; and
- the toll collected per vehicle increased but by less than the increase in toll rates.

3.4.3

It can therefore be deduced that traffic responded in three different ways: some traffic ceased to use the Corredor Sur altogether, some shortened their trips on the

road in order to constrain their toll increase, while others continued as before paying the full toll rate increase.

3.4.4

During the 12 months preceding the toll increase (June 2001 to June 2002), traffic on Corredor Sur was increasing at between 1 - 4% pa. During the period after the toll increase (July 2002 to June 2003), traffic reduced by between 11 – 14% pa. Since then and up to June 2004, traffic has been increasing at 9 – 13% pa. The demand elasticity to toll increase has been estimated for the effects over 6 months and 12 months by vehicle category, and the results are summarised in **Table 3.6**.

Table 3.6: Demand Elasticity following June 2002 Toll Increase

<i>Vehicle Category</i>	<i>6 month elasticity</i>	<i>12 month elasticity</i>
A (Autos)	-0.7	-0.6
B (Buses)	-0.2	-0.2 to -0.4
C & D (Trucks)	-1.6	-1.4
Total	-0.7	-0.7

3.4.5

The results indicate that a 10% increase in toll rates will reduce overall traffic on the Corredor Sur by 7%. Generally, the 12 month demand elasticity would be expected to be lower than the 6 month equivalent as the effect of the toll increase gradually diminishes. This is the case for categories A and C&D. In the case of buses (category B), the toll increases were in fact staggered over a 4 month period from September to December 2002 (the calculation of elasticity for buses has been adjusted to this period).

3.4.6

The elasticity values appear sensible in that buses would be expected to be the least responsive to toll increases as they can increase fares to compensate, whilst trucks in a developing country often have high demand elasticity values to tolls as many of these vehicles are operated by small companies and have low values of time.

3.4.7

Assuming that traffic growth on Corredor Sur in 2002 without a toll increase is best represented by the average traffic growth in 2001 and 2003 (and Table 2.1 appears to support this assumption), the June 2002 toll increase reduced Corredor Sur's traffic by just over 18%. As a comparison, if traffic in 2002 had only been increasing at 2001 levels, the impact of the 2002 toll increase reduced Corredor Sur's traffic by 15%, with an overall demand elasticity of -0.56 (as compared with -0.69).

- 3.4.8 In the absence of any toll increase in June 2002, traffic on Corredor Sur between 2000 and 2004 would have been increasing by just over 8% pa. By comparison, traffic on other roads in the Metropolitan area in this period only increased at around 2% pa, although these roads are clearly capacity constrained during peak periods.
- 3.4.9 The demand elasticity measures the reduction in total tolled traffic following the increase in tolls, but not the reduction in distance travelled along the Corredor Sur. The elasticity in toll/vehicle is given by comparing the increase in toll/vehicle against the increase in toll rates, and the results are summarised in **Table 3.7**.
- Table 3.7: Toll/Vehicle Elasticity following June 2002 Toll Increase**
- | <i>Vehicle Category</i> | <i>Elasticity</i> |
|-------------------------|-------------------|
| A (Autos) | +0.9 |
| B (Buses) | +1.0 |
| C & D (Trucks) | +0.6 |
| Total | +0.9 |
- 3.4.10 Buses are effectively unresponsive in this regard, in that a 10% toll rate increase leads to a 10% increase in toll per vehicle. Trucks are most responsive. Again, these results appear sensible and indicate that overall revenues will fall by more than the reduction in traffic, as some autos and trucks seek to reduce their journey lengths on Corredor Sur.
- 3.4.11 The effects of future toll increases need to take both the traffic demand elasticity and the toll per vehicle elasticity into account in assessing the likely impact on toll revenues. The forecasts described later in this report are based on both these components.
- 3.4.12 Generally, values of time could be expected to increase over time as GDP per capita increases, and the elasticities for demand and toll per vehicle to reduce. The relationship is obscure but usually values of time are increased at half or more of the increase in GDP per capita. In Panama's case, population is increasing at around 2% pa and GDP a little faster. We have ignored the possible small increase in values of time that could result, and hence reductions in elasticity values. The forecasts described in Chapter 5 can therefore be considered conservative in this regard.

3.5

Construction and Design

3.5.1

Corredor Sur is a 19.3km dual 2-lane highway. It crosses several bridge structures and culverts in addition to a 2km marine viaduct. Slip roads and over bridge structures allow local access at strategic junctions along the highway. Toll booths are sited near to the limits of the scheme and at strategic junctions. A concrete tunnel at the western limit of the scheme links Corredor Sur with the downtown area.

3.5.2

The highway is an un-reinforced jointed concrete pavement (URJCP), constructed mainly on embankment over variable quality ground conditions which include some sections over landfill, swamps and mangrove (3.7 km in total). The pavement construction is made up of a 21.0 m wide section (constructed partly in one section and partly in two 10.5 m wide sections) of 250mm pavement quality concrete over 200mm of stabilised sub-base (base course layer). The underlying sub-base is graded crushed basalt stabilised by the addition of 3 to 5% of cement.

3.5.3

The construction below the upper pavement layers varies according to ground conditions but in general consists of either a graded crushed rock capping material 300mm thick over various grades of embankment fill or an earth fill embankment. Geotextiles and geogrids were used at various levels in the embankment depending on ground conditions. There is one short section of cut where the pavement is founded on natural clay.

3.5.4

The flexural strength of the pavement quality concrete is specified as 48 kg/cm², contraction joints were saw cut 5.25m intervals to form 5.25m x 5.25m slabs. Each slab has dowel reinforcement at the joints, these are spaced 600mm longitudinally and 320mm transversely. Expansion joints were constructed at 250m intervals. The surface finish is transverse groove; this type of finish is designed to shed surface water. A joint sealant is specified for all joints.

3.5.5

The embankment was constructed using various grades of crushed basalt; side slopes are specified as 1:1.7. The height of the embankment is generally 2.5m to 4m, increasing to 8m at the approach to bridges in the areas of landfill and mangrove plantation. In the sections over mangrove and landfill, the natural ground was cut to an appropriate formation and filled with crushed rock to form a suitable foundation for the embankment and pavement construction. Settlement in these areas was anticipated, and defined areas of compressible ground were surcharged during the construction process.

- 3.5.6 Three bridge decks and the marine viaduct in the mainline carriageway are surfaced with an un-reinforced hydraulic concrete, the remaining bridges are constructed with deck panels over a hydraulic concrete slab. The hydraulic concrete has a specified compressive strength of 5000 PSI and was laid 50mm to 80mm thick, expansion joints are constructed at 250m intervals; dowel reinforcement was not used at joints. Longitudinal joints were not cut in the concrete overlay. Joints in the overlay do not coincide with joints in the structure; bridge construction joints were constructed at approximately 150m intervals.
- 3.5.7 Using current traffic data and forecasts, it is anticipated that Corredor Sur will carry up to 20 million standard axles (msa). This forecast is based on the most heavily trafficked section of road; other sections of the highway will carry less traffic. For a traffic load of 20 msa, UK design standards require a pavement thickness of 190mm; the actual designed pavement thickness is 250mm and is therefore of adequate construction to carry the forecast future traffic load.
- 3.5.8 Dowel bar size and spacing in both the longitudinal and transverse joints are correctly specified. The concrete pavement is founded on a cement stabilised sub-base similar to that specified in UK standards.

Current State

- 3.5.9 A short site visit was made to Corredor Sur as part of this assessment. In addition, a detailed visual inspection report entitled 'Banamex – Evaluacion Del Estado Actual Del Pavimento Y Otras Estructuras: Corredor Sur De Panama', Felipe Ochoa Y Asociados, S. C. December 8, 2003, was available for inspection. This report covered all aspects of the carriageway condition including pavement, drainage, right of way, vertical and horizontal signage. Corredor Sur was given a ranking based on the visual defects apparent at the time of the survey. Individual elements of the highway were ranked as follows:

Body	Crown/pavement	50%
	Drainage	30%
	Right of way	20%
Signage	Vertical	60%
	Horizontal	40%

3.5.10

The influence that each element has on the overall rating is:

Body	80%
Signage	20%

3.5.11

Banamex concluded that the overall condition of the highway was in a regular/average physical state. The highway was surveyed in 40 sections each approximately 1000m in length. In brief summary, the main defects in the pavement were recorded and ranked as shown in **Table 3.8**.

Table 3.8: Pavement Defects and Rankings

Defect	Severity	Total percentage of areas in which defect occurs	Percentage of defective areas at bridge locations	Percentage areas defective at embankment locations
Joint spalling	Light	57.6	12.2	45.4
Cracking, longitudinal, transverse, diagonal	Light	64.2	36.3	27.9
Corner spalling	Light to Moderate	35	10.8	24.2
Corner cracking	Light	9.2	6.6	2.6
Separate slab blocks	Moderate	77.3	71.7	5.6
Potholes	Light	27.8	26.5	1.3
Major cracks	Light to Moderate	12.5	12.2	0.3
Potholes repaired	Light	3.6	3.6	0

3.5.12

ICA has also completed a detailed visual inspection using a similar ranking system and similarly concluded that the pavement is in a regular/average condition. ICA's qualification is due to the defects found in specific areas of Corredor Sur, mainly associated with the bridges and marine viaduct.

3.5.13

As the pavement is both relatively new (opened to traffic in 1999) and lightly trafficked, the number and severity of defects would be expected to be low. Early life defects are an indication of either poor construction technique or inadequate design. A high proportion of the defects recorded occur in the concrete surfacing over the bridge decks. Joint and corner spalling occur in 45% and 24% of the embankment area. Longitudinal, transverse and diagonal cracking occur in 28% of

the embankment area. Corner cracking, separate slab blocks, potholes, major cracks and repaired potholes each occur in less than 5% of the embankment area.

- 3.5.14 It should be noted that the majority of defects occur in the approach to the bridges and bridge surfacing. Settlement in the embankment and early life failure of the concrete surfacing are the cause of these defects. The severity of the defects which occurs in the embankment is generally light, and the present condition of the pavement over the embankment is generally good.
- 3.5.15 As an un-reinforced jointed concrete pavement (URJCP), Corridor Sur's pavement incorporates joints which are designed to minimise the occurrence of uncontrolled, random cracking. Reinforced pavements can tolerate small amounts of transverse cracking provided that good load transfer is maintained. Cracking in un-reinforced pavements is a major problem as there is no reinforcement to hold the pavement together. The condition of the pavement will deteriorate rapidly if left untreated.
- 3.5.16 The cracking that is evident at the contraction joints is typical of that caused by late sawing of the joint at the time of construction. They are unlikely to deteriorate further in the short term if properly sealed.
- 3.5.17 URJCP slab dimensions were found to be variable where the width of the highway changes, mainly either side of interchanges. The longitudinal paving joint lies close to or in a wheel track along significant lengths of the highway.
- 3.5.18 A thin concrete surface course was applied to all the main line bridge decks; in all cases, the surface course is severely distressed and might become a safety hazard. It is understood that cracking occurred soon after construction, although it does not indicate a serious structural problem. Treatment will require complete removal of the existing surface and replacement with a suitable product. Temporary patch repairs are being carried out; complete replacement is planned in the near future and included in the maintenance budget.
- 3.5.19 Settlement in the embankment fill at all bridge abutments along the mainline and interchanges is clearly evident and is presently being monitored. Topographical surveys are being carried out on a regular basis to determine rates of settlement. Settlements of up to 300mm have been recorded. It is understood that settlement is occurring in the structural fill behind the abutment and in the underlying natural ground. The settlement was foreseen in the original design, and it is expected to stabilise 7 to 10 years after construction. Almost 4 km of the highway is

constructed over poor ground consisting of landfill, swamp and mangrove. It is understood that the land was surcharged for 6 months prior to construction of the highway embankment. The highest settlements have occurred where the embankment is constructed over landfill; the height of the embankment ranges between 6.5m and 8.3m in this area. Temporary repairs have been carried out using an asphalt overlay to maintain ride quality and make the highway safe for the public. Further work is planned and budgeted for year 2005.

- 3.5.20 Settlement is evident in a discrete 25m section of the highway embankment at approximately chainage 26+800. Topographical surveys are being carried out on a regular basis to determine rates of settlement. It is understood that in this area settlement is occurring in the poor underlying natural ground. Repairs to the pavement have not been carried out at this stage as the ride quality and condition of the pavement surface are considered acceptable in the short term.
- 3.5.21 Where the highway is in cut, the side slopes of the cutting appear to be stable.
- 3.5.22 The highway is kerbed, with surface water running along the kerb line to spillways. The condition of the spillway drainage appears to be in good condition. The surrounding land is generally waterlogged. The highway verges are well maintained.
- 3.5.23 The general ride quality of the pavement is adequate but could easily be improved at minimal cost. The skid resistance of the highway surface has not been determined but appears to be adequate. It is understood there have been no reports of skidding accidents caused by a slippery highway surface.
- 3.5.24 Vertical traffic and horizontal traffic signs (road markings) were generally in good condition.
- 3.5.25 Structures were not inspected during the visit. As the structures are no more than 5 years old, structural defects are not expected.
- 3.5.26 The existing maintenance budget includes corrosion protection work for exposed piles (piers) on the 2km viaduct section.
- 3.5.27 The adequacy of the maintenance budget to deal with the identified defects is discussed in Chapters 4 and 5.

4

Issues for Traffic/Tolls and Maintenance

4.1

Traffic

4.1.1

Future traffic levels on Corredor Sur will be determined by background traffic growth, the capacity of Corredor Sur and the wider network, toll rates and toll systems. These four issues are considered in this section (4.1).

Background Traffic Growth

4.1.2

In a city where the population is currently (since 2001) growing at around 2% pa, the economy at 2 - 4% pa, and car ownership at 4% pa, traffic growth would be expected to be high. Excluding the impact of the June 2002 toll increase, traffic growth on Corredor Sur is indeed buoyant, at over 8% pa. However, traffic growth on other roads in Corredor Sur's corridor is much lower. The data we have suggests that traffic is increasing at less than 2% pa since 1999 with much of this growth on the roads running at right angles to the direction of Corredor Sur/Via Espana.

4.1.3

The reason for the low growth is probably due to the severe congestion that affects the highway network (apart from Corredor Sur) at peak periods and throughout much of the day, with average speeds on the network less than 15 kph over a wide area, and probably closer to or even less than 10 kph over large parts of the Metropolitan Area.

4.1.4

The future development of Panama City will be constrained by this congestion, as it will be impossible for a growing population to access jobs and other opportunities in the city. Elsewhere, the problem would either be tackled through the development of the highway networks and transit systems and/or by physical dispersion with the development of new out-of-town centres. In the context of Panama where neither policy appears to be actively pursued at present, the latter looks more likely than the former by default.

4.1.5

This severe congestion will also impact on Corredor Sur's traffic, as it affects both the overall level of demand to/from the city, and the ability to access and egress from the toll road. Eventually, whether as a result of chronic congestion or development dispersion, traffic growth rates on Corredor Sur will tend to decline towards the level on the rest of the network, although they may well remain

slightly higher whilst its level of service remains good. It is not possible to predict when the traffic growth rates on Corredor Sur will decay, but it would be prudent to assume that this will occur.

Capacity of Corredor Sur

- 4.1.6 The highest traffic flows on Corredor Sur occur in the morning peak, when 27 - 29% of daily traffic travels between the hours of 06:00 – 09:00 and 12 - 14% in the hour beginning 07:00. The proportion of daily traffic travelling in the three hour evening peak (16:00 – 19:00) is similar to the morning peak (26%), but traffic levels in the busiest peak hour are around 30% lower than in the busiest morning peak hour.
- 4.1.7 There are two locations where capacity issues could affect future traffic levels on Corredor Sur:
- on the bridge section between Costa del Este and Atlapa; and
 - at Atlapa on the east facing toll booths on the main carriageway and to Via Israel.
- 4.1.8 Depending on local circumstances, the capacity of a dual 2 lane carriageway road can reach approximately 4,000 vehicles per hour by direction. At present, traffic flows on the bridge approaching Atlapa in the morning peak over a 60 minute period are less than this and believed to be around 3,500 vehicles per hour (source Figura 4, Estudio de Optimización de Ingresos para el Corredor Sur, ICA, June 2003; assuming 60% of 2 hour peak flow occurs in maximum peak hour).
- 4.1.9 The inbound traffic on the bridge is processed either by the toll booths across the main carriageway at Atlapa or those on the ramps to Via Israel. Assuming all nine toll booths (2 automatic) are operating in the morning peak at Atlapa, its capacity is around 3,500 vehicles per hour (see Table 4.3 and description later). The capacity of the three toll booths to Via Israel (1 automatic) is around 1,200 vehicles per hour. There is therefore sufficient capacity at present in theory.
- 4.1.10 In practice, traffic flows reach short but sharp peaks during the peak hour when some queuing occurs. When this happens, Panamanian drivers - well used to the concept of making additional lanes at peak times with minimal formal traffic management measures - use the hard shoulder on Corredor Sur to create a third

traffic lane. The additional capacity this affords on the carriageway (probably at least 1,000 vehicles per hour even without associated traffic management measures) means that the minimum system constraint is the capacity of the toll plazas.

- 4.1.11 Capacity at the toll plazas can be increased through greater use of pre-pay methods or electronic tolling (see later). Assuming that this occurs and in addition that the concept of operating a third lane on the bridge is accepted, there is still a constraint on the growth of traffic on Corredor Sur once maximum peak hour westbound flows across the bridge reach around 5,000 vehicles per hour and a severe constraint once these exceed 5,500 vehicles per hour.

Toll Rates

- 4.1.12 The present Concession agreement runs until 2029. Under its terms, toll rates can be increased by 25% per annum for six years. Otherwise, toll rates can only be increased with inflation. The window for enacting the 25% increases is 2002 to 2008. There are therefore four more opportunities to increase toll rates, and ICA plans to implement two more such increases, one in 2005 and one about 2 years later.
- 4.1.13 In our opinion, ICA is correct to be cautious about the number of increases that should be implemented. Corredor Sur is essentially an urban toll road and can arguably justify higher toll rates than would apply to equivalent inter-urban roads. Nevertheless, there was significant resistance to the June 2002 toll increases, and toll rates are currently high compared with other toll roads across America (North, Central and South) with the exception of Mexico where toll rates can be even higher – see **Table 4.1**. They are also high in comparison with Europe, where typically toll rates for cars across both Western and Eastern European countries are 4 – 8 US cents/km, although these are mainly on inter-urban rather than urban roads.
- 4.1.14 Excluding Mexico (where a combination of factors have led to generally high toll rates across many of the toll roads in the country), the tolled motorways that we are aware of that had higher or comparable rates to the two toll roads in Panama (Corredor Sur and Corredor Norte) are Chicago Skyway and the M5 in Hungary. The former runs into the Indiana East-West Toll Road which lowers the perceived toll rate for many of its drivers to around 6 US cents/km. The latter has recently (2004) been partly nationalised by the Government and its toll rates reduced to

those of other tolled motorways in the country (these operate a vignette system allowing access for a fixed period rather than a charge per km, but the charges are significantly lower).

- 4.1.15 Based on our own databank , the likely average value of time for a country at Panama's state of development would be around \$3 - 4 per hour. This essentially reflects the value of time of drivers who are NOT on business trips (who would have significantly higher values). As around 94% of Corredor Sur's users are on trip purposes other than business (see Table 3.3), the average value is applicable in this case.
- 4.1.16 The time benefit in the peak period has been assessed at around or over 30 minutes (Section 3.1). This suggests tolls on Corredor Sur should be about \$1.5 – 2.0. However, in addition to the time savings, Corredor Sur's users also make operational cost gains. The price of gas is around \$2.20-2.30/US gallon and diesel \$1.70/US gallon. It seems likely that a typical user gains a further \$0.50 in fuel savings per trip. Current toll rates therefore appear broadly comparable to the time and operating cost benefits that can be derived by using Corredor Sur.
- 4.1.17 The response to the June 2002 toll increase produced an overall demand elasticity of -0.6 to -0.7 (i.e. a 10% increase in toll rates reduces traffic by 6-7%) and a toll per vehicle elasticity of +0.9 (i.e. a 10% increase in toll rates only leads to a 9% increase in toll per vehicle). Taken together, a 10% increase in toll revenues will only produce a small (approximately 1 - 2%) increase in revenues.
- 4.1.18 The decision as to whether to increase toll rates or not is a finely balanced one, but a 25% increase in 2005 looks a marginal decision as a means of significantly increasing revenues under present circumstances. However, tolls need to be increased during the permitted window up to 2008 in order to avoid capacity issues later on in the concession period.

Table 4.1: Toll Rates on Other Toll Roads (Americas)

Toll Rates (Autos) in North, Central & South America

Country	Highway	Length km	Toll/km US cents/km
USA	Florida: Three Lakes - Port St Lucie Blvd	150	5.8
	Florida: Three Lakes - Lantana	237	5.8
	Texas: TTA	~	7.5
	Illinois: Chicago Skyway	12.5	16.0
	Indiana: East-West Toll Road (nr Chicago)	33.8	2.4
	Combined	46.3	6.0
	Indiana: Indiana Toll Road	252.8	1.8
Canada	Ontario: Highway 407 -peak	108	10.6
	off-peak & night		10.0
Puerto Rico	PR52: San Juan - Caguas	18	4.2
	PR52: San Juan - Salinas	46	5.1
	PR52: San Juan - Ponce	70	4.6
	PR22: Arecibo- San Juan	~	5.0
	PR22: San Juan - Toa Baja	~	8.8
	PR53 Humacao - Ceiba	17	4.1
Mexico	Autopista del Sol	360	10.6
	Mexico - Toluca	21	33.3
	Autopista Siglo XXI	320	10.1
	Carretera 180	228	10.9
Costa Rica	San Jose - San Ramon	56	0.9
	San Jose - Cd Colon	14	1.2
Chile	Ruta 68	65	
	Ruta 78	60	
	Ruta 57	58	
	Average		7.6
Panama	Corredor Norte	14	13.1
	Corredor Sur	19	12.3

Toll Systems

4.1.19

It is possible to optimise revenues and capacities through the implementation of the appropriate toll system. Currently, Corredor Sur operates an open system with a pre-pay option allowing use of a swipe card at certain toll booths. Measurements have been made of the performance of various types of toll plazas throughout the world, using various types of technology. These are summarised in **Table 4.2:**

Table 4.2: Capacity of Toll Booths

<i>Technology</i>	<i>Throughput (vehicles/hour)</i>
Manual (closed system)	150-250
Manual (open system)	250-500
Automatic (closed system)	200-300
Automatic (open system)	450-600
In-lane electronic (ETC) with barrier	800-900
In-lane electronic (ETC) without barrier	1000-1500
Freeflow electronic	No restriction

4.1.20

Owing to the high variability in the use of manual systems, it is recommended that measurements be made of the performance of the existing toll booths on Corredor Sur. Given that these use toll plazas with barriers, it is unlikely that the throughput at the manual toll booths exceed 400 vehicles per hour. The performance of the swipe card system is likely to be similar to that of automatic coin machines and so should reach 500 vehicles per hour. It is possible to improve the performance of manual systems marginally by choosing tariffs that minimise the likelihood of giving change, or by holding change in pre-packaged bundles for the normal denomination notes offered.

4.1.21

Using a simple queuing programme, an assessment has been made of the capacity of the existing toll plazas on the basis that the maximum queuing time is one minute. The HGV content is assumed as 2%. It is also assumed that all lanes are used at their maximum including those for prepaid users. The results are shown in **Table 4.3.**

Table 4.3: Capacity of Corredor Sur's Toll Plazas

<i>Plaza</i>	<i>Lanes</i>	<i>Lane Types</i>	<i>Maximum Capacity (vehicles/hour)</i>
Ciudad Radial	7,8,14	2 manual, 1 prepaid/manual	1200
	5,6,13	2 manual, 1 prepaid/manual	1200
	1,2,11,15	1 prepaid only, 3 manual	1600
	3,4,12	1 prepaid only, 2 manual	1200
Ciudad Radial (expanded)	1,2,11,15 plus one	1 prepaid only, 4 manual	1950
	3,4,12 plus one	1 prepaid only, 3 manual	1600
Hipodromo	9	1 manual	400
	10	1 manual	400
Costa Del Este	20	1 manual	400
	21	1 manual	400
Via Israel	15,16,17	2 manual, 1 prepaid/manual	1200
	18,19	1 manual, 1 prepaid/manual	850
Atlapa	1,2,3,4,5,6,7,8,9	2 prepaid only, 7 manual	3500
	6,7,8,9,10,11,12	1 prepaid only, 6 manual	2650
	22,23	1 manual, 1 prepaid/manual	850
Paitilla	13,14	1 prepaid only	850

4.1.22

Adoption of Electronic Toll Collection (ETC) - The most common and most effective method of increasing the throughput at toll plazas is by the introduction of ETC, where a transponder is fitted in the vehicle. This is read automatically as the driver passes through the toll plaza and the barrier lifts allowing the driver

through at a reasonable speed. This is now proven and established technology and is used throughout the world.

4.1.23

The ETC system would replace the existing swipe card system, with a relatively small increase in administrative complexity. It is recommended that transponders be issued through the post or at a separate administrative building and not at the toll booths. Users could set up a prepaid account by cash or credit card payment. Warning light at the toll booths let drivers know when their transponders need recharging.

4.1.24

The impact of the introduction of ETC can be seen from **Table 4.4** for the largest plaza, Atlapa westbound, as an example. The more lanes that can be ETC only, the higher the available capacity, but, of course, this implies an increasing customer percentage using ETC compared to those currently using swipe cards.

Table 4.4: Impact of ETC on Atlapa's Westbound Capacity

<i>Lane Types</i>	<i>Maximum Capacity (vehicles/hour)</i>
Existing - 2 prepaid only, 7 manual	3500
2 ETC, 7 manual	4000
3 ETC, 6 manual	4500
4 ETC, 5 manual	4800
5 ETC, 4 manual	5200

4.1.25

The major cost with the ETC is the cost associated with the transponders, which are typically around \$25 each in quantity, but this may be partially offset by requiring drivers to purchase or lease the unit. These have an in-built battery with a lifetime of approx. 4-5 years, and so there must be a continual replacement programme. The installation of the transponder reader and the associated lane equipment for each ETC lane is approx. \$20,000 per lane, and there will need to be an upgrade to the toll plaza central computer system which is difficult to price but could be \$200,000.

4.1.26

The operating costs of the system will be largely associated with the administration involved in the distribution of transponders and handling customer accounts. This may not be a great deal more than for the current swipe card system. Maintenance costs are likely to be higher as the equipment is more sophisticated.

4.2

Maintenance Issues

4.2.1

In general, international code defines core objectives for highway maintenance on which to build a consistent framework of inspection, condition standards, service delivery and performance indicators. These include network safety, meeting user's needs, network serviceability, maintaining reliability, sustainability, minimising cost over time, maximising value to the community, and maximising environmental contribution.

4.2.2

According to the international experience, pavements are among the most important fixed assets since they usually demand about 50% of the total road maintenance cost. In addition to this, pavement condition is an important factor for several user-related costs, such as safety cost, vehicle operational cost, time cost, etc.

4.2.3

Up to now, practical experience has shown that road pavements do not last indefinitely and it is impossible to keep a pavement at its initial (construction) condition, since several factors like traffic, climate, time, etc wear the pavement materials and consequently the whole structure. Thus, every pavement needs periodically some kind of maintenance and/or rehabilitation. In order to effectively select and schedule the maintenance aspects, it is necessary to monitor its condition and the properties of the different materials used in the structure. Bearing capacity and remaining life are probably the most important factors needed for such decisions, especially in a private finance maintenance model. Determination of pavement load carrying capacity and remaining life is made with suitable monitoring and in-situ Non-Destructive Testing (NDT) of the pavement, using suitable measuring equipment and analyses tools.

4.2.4

At some stage in the life of the pavement, signs of wear such as polishing, rutting, cracking may show on the surface. Maintenance is required when these signs of wear are judged to affect the standards of service provided to the road user and the integrity of the pavement structure. To accomplish this task in the most cost effective manner, it is necessary to use a logical assessment procedure to enable the correct maintenance treatment to be carried out at the most advantageous time. Where there is a need for strengthening, a thorough structural investigation is essential to facilitate the detailed design necessary, particularly when major expenditure is being considered.

4.2.5

A uniform approach to the collection of condition information, its presentation and assessment is essential. The aims of routine assessment are to determine

whether the condition of the pavement has deteriorated to a state that may require remedial action and to establish a database of information from which trends in carriageway condition can be established. It is therefore important that all survey data are recorded and stored. The main types of assessment are SCRIM (measure of skid resistance of the road surface), High-speed road monitor (HRM), visual condition survey and Deflectograph or FWD. The HRM measures texture, rutting, and ride quality.

4.2.6

As part of a routine maintenance strategy, ICA carry out regular visual condition surveys over the full length of the pavement and use Topographical surveys to measure/monitor settlement. The data from the Topographical surveys are used to predict rates of settlement and to determine the appropriate times to carry out permanent repairs to the pavement in areas where settlement has occurred. Visual condition surveys form part of the routine assessment of the pavement, during which the type and severity of the defects in the highway are recorded. The visual condition surveys have four main objectives:

- to provide factual condition data for establishing suitable structural treatments;
- to identify homogeneous lengths of road suitable for contracts of remedial treatment;
- to provide the means of monitoring performance, establishing priorities and planning long-term maintenance programmes;
- to provide a data bank suitable for calculating priority ratings, whole life costing and predicting the life expectancy of pavements.

4.2.7

In order to accurately assess the present structural condition of the pavement, additional surveys are required. A common approach to the assessment of the structural condition of a road pavement is to measure its deflection under a known load. Application of this load is normally by one of two methods; by the action of a rolling wheel as in the Deflectograph, or by dropping a mass using a device such as the Falling Weight Deflectometer (FWD). The latter is the preferred method for rigid pavement construction. The deflection measured relates to the combined stiffness of component layers in the pavement and its ability to distribute traffic loading. The FWD is a trailer mounted device, towed behind a vehicle. The deflection design method enables the residual life of the pavement to be predicted

and structural inlays and overlays to be designed to extend that life. The main use of the FWD in relation to PQ concrete pavements is the evaluation of load transfer efficiency and underlying slab support at joints and cracks / discontinuities.

- 4.2.8 FWD data should not be used in isolation; it is important to characterize material properties and understand pavement deterioration mechanisms.

Future Maintenance

- 4.2.9 ICA accurately records the severity and type of defects visible in the highway; the recorded data form the basis of future maintenance works and budget forecasts.

- 4.2.10 The condition of the cracked overlay surfacing over the marine viaduct and mainline bridge decks is not adequate. It is planned to replace this surfacing during the summer months of 2004/05 and 2005/06. The overlay was originally designed to be sacrificial, and the cost of its replacement is included in the maintenance budget.

- 4.2.11 Maintenance works should pay particular attention to the condition of joints in the concrete pavement; an early indication of their condition can be determined from longitudinal profile measurements. Visual evidence such as sealant damage, spalling and stepping are all indications that a joint may not be working effectively. If any of these defects are present, load transfer efficiency tests using the Falling Weight Deflectometer (FWD) should be carried out. Poor joint condition is often the primary cause of other defects such as cracking of the slab or stepping at the joints.

- 4.2.12 Crack defects in the concrete pavement are planned to be sealed as a matter of priority, as ingress of moisture into the pavement structure will cause premature failure. The propagation of cracks in the pavement should be closely monitored as this may be an indication of the onset of structural failure.

- 4.2.13 Joints seals should be maintained in good condition at all times, as ingress of debris into the joint will restrict movement at the joint causing spalling defects and premature failure. Costs for this item are included in the maintenance budget.

- 4.2.14 Full depth slab repairs should be carried out in areas where wide cracks and potholes occur. Costs for this item are included in the maintenance budget.

4.2.15 Temporary repairs in areas of settlement will be ongoing until such time settlement becomes minimal and permanent repairs to the highway can be made. It is anticipated that settlements in the earthworks will stabilise 7 to 10 years after construction. The cost of permanent repairs to the pavement has been allowed for in the budget.

4.2.16 Pile (Pier) corrosion protection maintenance work is planned for the 2km bridge over the sea.

ICA planned maintenance activities

4.2.17 It is clear from ICA's maintenance schedule that all the key maintenance operations discussed earlier in this report are included in the maintenance budget. The main items for the maintenance of the pavement are: replacement of concrete overlay to structures, regulation of the pavement surface with asphalt in areas of settlement, topographical survey to monitor settlement, joint and crack sealing, joint repairs, concrete repairs and maintenance of surface texture. Other items include maintenance of drainage, fencing, vertical and horizontal signs and anti-corrosion treatment to piles and structures.

5

Corredor Sur – Forecasts

5.1

Traffic and Toll Revenues

5.1.1

Forecasts for Corredor Sur's traffic and toll revenues have been developed on the following basis:

- Current traffic growth rates on Corredor Sur (averaging 8% per annum) decline over time towards the rate observed on other roads in the corridor (averaging 2% per annum or less) – the rate of this decline is a key assumption for the forecasts;
- There are no major changes to the existing highway network or transit services other than minor improvements that enable the current traffic growth on existing roads (excluding Corredor Sur) to be sustained – in particular, Corridor Norte is not completed to Via Inter Americana near Tocumen;
- Economic and population growth continue, although the actual rate is not critical as the network is congested and there will be a significant element of suppressed traffic that would be released at times of low growth;
- Excluding any inflation only increases in toll rates (which we understand are under consideration for the future), two different toll rate policies have been explored – in the first, two 25% increments in real toll rates are implemented by 2007; and in the alternative, there are no toll increases;
- Drivers respond to toll increases in the same proportionate way as observed following the June 2002 toll increase;
- Corredor Sur's capacity becomes a constraint on its traffic growth once AM peak hour flows on the Atlapa – Costa del Este bridge section exceed 5,000 vehicles per hour (assuming 3 lanes operation in-bound); the absolute maximum capacity of the road is assumed as 78,000 toll transactions/day (this is arguably conservative - it can be compared with today's 45,000 transactions).

5.1.2

The key assumptions and the reasons underlying their predicted values are summarised in **Table 5.1**.

Table 5.1: Traffic & Revenue Forecasts – Assumptions

<i>Assumption</i>	<i>Predicted Values</i>
Background Traffic Growth	<p>The current average growth rate of 8% pa declines by 1% pa from 2006 until it reaches 2.5% in 2011; it continues at this level until 2020 when it further declines to 2% pa.</p> <p>In an alternative scenario, the decline is assumed to be 0.5% pa from 2006 until it reaches 2.5% pa in 2016,; as above it continues at this level until 2020 when it further declines to 2% pa.</p> <p>There is no evidence to support either assumption but traffic growth on Corredor Sur will be constrained by the ability of the wider network to deliver and absorb its traffic, and therefore seems likely to behave in this type of manner.</p>
Development of Transport Infrastructure	In the absence of any new plans and the on-going problems with those that exist, a reasonable assumption is that current traffic growth will continue, neither increasing nor decreasing.
Socio-Economic	We do not believe that these are critical issues (recession apart) given the likely level of trip suppression.
Toll rates	<p>Two different policies are explored:</p> <p>1: +25% increments in 2005 & 2007 (in addition to inflationary increases),</p> <p>2: no +25% increments (only inflationary increases occur).</p>
Drivers' response to toll increases	The range of elasticities derived from the June 2002 toll increase is assumed to hold for subsequent increases. It is possible that these elasticities could decrease over time, but given the relatively high level of tolls on Corredor Sur and the need to increase tolls before 2008, it seems reasonable to hold the elasticity values constant.

5.1.3

On this basis, the forecast traffic and revenues for three different main scenarios have been developed. The scenarios are as follows:

- Two +25% toll increments (one from July 2005 and one from July 2007) with background traffic growth declining at 1% pa from 2006 and an overall demand elasticity of -0.69 (**BASE CASE**);
- No toll increments with background traffic growth declining at 1% pa from 2006 and an overall demand elasticity of -0.69 (**NO TOLL INCREASES**);
- Two +25% toll increments as above with background traffic growth declining at 0.5% pa from 2006 and an overall demand elasticity of -0.56 (**OPTIMISTIC**).

5.1.4

The resulting traffic and revenues by half year for each of the above scenarios are shown in **Tables 5.2 – 5.4** and in **Figure 5.1** (Revenues only). A summary of the annual revenues is shown in **Table 5.5**. In Tables 5.2-5.4, the average tolled traffic per day is found in the column entitled ‘Constrained Tolled Traffic Vehs/Day’. Revenues by half year, in 2004 prices from 2004, are shown in the right hand column. Note that as future revenues are given in constant 2004 prices, inflationary only increases in toll rates are also assumed to occur over the Concession period.

5.1.5

We believe that the projected revenue streams for the ‘Optimistic’ and ‘No Toll Increases’ scenarios indicate the likely range of future toll revenues for Corredor Sur, with the Base Case scenario indicating the more likely revenue stream that will occur within this range. All the scenarios assume no fundamental alteration in current socio-economic trends or significant changes in existing transport policies or infrastructure.

5.1.6

Increasing the tolls by two 25% increments (in real terms) appears to be the optimum policy in terms of revenue maximisation. Increasing tolls avoids traffic capacity issues later on and therefore allows significantly higher revenues to be generated from about 2010 compared with a strategy that holds tolls at their current real prices. Before 2010, and excluding the effects of the different traffic growth rates assumed for Corredor Sur, revenues are not greatly different (within 5%) whichever toll rate policy is followed.

Table 5.2: Traffic/Revenue Forecasts – 2 Toll Increments (05 & 07)

Corridor Sur Tolls +25% in 2005 and 2007		Toll rates	Observed Traffic	Background Traffic growth	Observed Revenue	Unconstrained Tolled Traffic	Unconstrained Max AM Pk Hour Flow	Constrained Tolled Traffic	Toll/veh	Revenues
		\$/km	Vehs/day	%pa	\$mpa	Vehs/day	Vehs/hour	Vehs/day	\$	\$m
1999	Jul-Dec	0.097	25,060		3.189				0.69	
2000	Jan-Jun	0.097	37,834		5.375				0.78	
	Jul-Dec	0.097	46,912		6.81				0.79	
2001	Jan-Jun	0.097	44,756		6.329				0.78	
	Jul-Dec	0.097	47,387		6.767				0.78	
2002	Jan-Jun	0.097	46,688		6.573				0.78	
	Jul-Dec	0.123	42,180		7.445				0.96	
2003	Jan-Jun	0.123	40,118		7.088		3,500		0.98	
	Jul-Dec	0.123	46,133		8.204				0.97	
2004	Jan-Jun	0.123	44,974		7.998				0.98	
	Jul-Dec	0.133		1.080		47,177	4,116	47,177	1.01	8.75
2005	Jan-Jun	0.133		1.080		45,991	4,012	45,991	1.02	8.53
	Jul-Dec	0.166		1.080		42,162	3,678	42,162	1.23	9.55
2006	Jan-Jun	0.166		1.070		40,722	3,553	40,722	1.25	9.23
	Jul-Dec	0.166		1.070		45,113	3,936	45,113	1.23	10.22
2007	Jan-Jun	0.166		1.060		43,165	3,766	43,165	1.25	9.78
	Jul-Dec	0.207		1.060		39,571	3,452	39,571	1.50	10.95
2008	Jan-Jun	0.207		1.050		37,505	3,272	37,505	1.53	10.38
	Jul-Dec	0.207		1.050		41,550	3,625	41,550	1.50	11.50
2009	Jan-Jun	0.207		1.040		39,005	3,403	39,005	1.53	10.80
	Jul-Dec	0.207		1.040		43,212	3,770	43,212	1.50	11.96
2010	Jan-Jun	0.207		1.030		40,175	3,505	40,175	1.53	11.12
	Jul-Dec	0.207		1.030		44,508	3,883	44,508	1.50	12.32
2011	Jan-Jun	0.207		1.025		41,180	3,593	41,180	1.53	11.40
	Jul-Dec	0.207		1.025		45,621	3,980	45,621	1.50	12.63
2012	Jan-Jun	0.207		1.025		42,209	3,682	42,209	1.53	11.68
	Jul-Dec	0.207		1.025		46,761	4,080	46,761	1.50	12.94
2013	Jan-Jun	0.207		1.025		43,264	3,774	43,264	1.53	11.98
	Jul-Dec	0.207		1.025		47,930	4,182	47,930	1.50	13.27
2014	Jan-Jun	0.207		1.025		44,346	3,869	44,346	1.53	12.28
	Jul-Dec	0.207		1.025		49,129	4,286	49,129	1.50	13.60
2015	Jan-Jun	0.207		1.025		45,455	3,966	45,455	1.53	12.58
	Jul-Dec	0.207		1.025		50,357	4,393	50,357	1.50	13.94
2016	Jan-Jun	0.207		1.025		46,591	4,065	46,591	1.53	12.90
	Jul-Dec	0.207		1.025		51,616	4,503	51,616	1.50	14.29
2017	Jan-Jun	0.207		1.025		47,756	4,166	47,756	1.53	13.22
	Jul-Dec	0.207		1.025		52,906	4,616	52,906	1.50	14.64
2018	Jan-Jun	0.207		1.025		48,950	4,270	48,950	1.53	13.55
	Jul-Dec	0.207		1.025		54,229	4,731	54,229	1.50	15.01
2019	Jan-Jun	0.207		1.025		50,173	4,377	50,173	1.53	13.89
	Jul-Dec	0.207		1.025		55,585	4,849	55,585	1.50	15.39
2020	Jan-Jun	0.207		1.020		51,177	4,465	51,177	1.53	14.17
	Jul-Dec	0.207		1.020		56,696	4,946	56,696	1.50	15.69
2021	Jan-Jun	0.207		1.020		52,200	4,554	52,200	1.53	14.45
	Jul-Dec	0.207		1.020		57,830	5,045	57,830	1.50	15.95
2022	Jan-Jun	0.207		1.020		53,244	4,645	53,244	1.53	14.74
	Jul-Dec	0.207		1.020		58,987	5,146	58,987	1.50	16.22
2023	Jan-Jun	0.207		1.020		54,309	4,738	54,309	1.53	15.03
	Jul-Dec	0.207		1.020		60,167	5,249	59,554	1.50	16.48
2024	Jan-Jun	0.207		1.020		55,395	4,833	55,395	1.53	15.33
	Jul-Dec	0.207		1.020		61,370	5,354	60,546	1.50	16.76
2025	Jan-Jun	0.207		1.020		56,503	4,929	56,503	1.53	15.64
	Jul-Dec	0.207		1.020		62,597	5,461	61,556	1.50	17.04
2026	Jan-Jun	0.207		1.020		57,633	5,028	57,433	1.53	15.90
	Jul-Dec	0.207		1.020		63,849	5,570	62,588	1.50	17.32
2027	Jan-Jun	0.207		1.020		58,786	5,129	58,382	1.53	16.16
	Jul-Dec	0.207		1.020		65,126	5,682	63,639	1.50	17.62
2028	Jan-Jun	0.207		1.020		59,962	5,231	59,350	1.53	16.43
	Jul-Dec	0.207		1.020		66,429	5,795	64,712	1.50	17.91
2029	Jan-Jun	0.207		1.020		61,161	5,336	60,337	1.53	16.70
	Jul-Dec	0.207		1.020		67,757	5,911	65,806	1.50	18.22

Table 5.3: Traffic/Revenue Forecasts – No Toll Increments

Corredor Sur No toll increases		Toll rates \$/km	Observed Traffic Vehs/day	Background Traffic growth %pa	Observed Revenue \$/mpa	Unconstrained	Unconstrained	Constrained	Toll/veh \$	Revenues \$/m
						Tolled Traffic Vehs/day	Max AM Pk Hour Flow Vehs/hour	Tolled Traffic Vehs/day		
1999	Jul-Dec	0.097	25,060		3.189				0.69	
	2000 Jan-Jun	0.097	37,834		5.375				0.78	
	Jul-Dec	0.097	46,912		6.810				0.79	
	2001 Jan-Jun	0.097	44,756		6.329				0.78	
	Jul-Dec	0.097	47,387		6.767				0.78	
	2002 Jan-Jun	0.097	46,688		6.573				0.78	
	Jul-Dec	0.123	42,180		7.445				0.96	
	2003 Jan-Jun	0.123	40,118		7.088		3,600		0.98	
	Jul-Dec	0.123	46,133		8.204				0.97	
	2004 Jan-Jun	0.123	44,974		7.998				0.98	
	Jul-Dec	0.133		1.080		47,177	4,233	47,177	1.01	8.75
2005	Jan-Jun	0.133		1.080		45,991	4,127	45,991	1.02	8.53
	Jul-Dec	0.133		1.080		50,951	4,572	50,951	1.01	9.45
2006	Jan-Jun	0.133		1.070		49,210	4,416	49,210	1.02	9.13
	Jul-Dec	0.133		1.070		54,518	4,892	54,518	1.01	10.11
2007	Jan-Jun	0.133		1.060		52,163	4,681	52,163	1.02	9.68
	Jul-Dec	0.133		1.060		57,789	5,186	57,189	1.01	10.61
2008	Jan-Jun	0.133		1.050		54,771	4,915	54,771	1.02	10.16
	Jul-Dec	0.133		1.050		60,678	5,445	59,548	1.01	11.05
2009	Jan-Jun	0.133		1.040		56,962	5,111	56,562	1.02	10.49
	Jul-Dec	0.133		1.040		63,105	5,663	61,530	1.01	11.41
2010	Jan-Jun	0.133		1.030		58,671	5,265	57,959	1.02	10.75
	Jul-Dec	0.133		1.030		64,998	5,833	63,076	1.01	11.70
2011	Jan-Jun	0.133		1.025		60,138	5,396	59,158	1.02	10.97
	Jul-Dec	0.133		1.025		66,623	5,978	64,403	1.01	11.95
2012	Jan-Jun	0.133		1.025		61,641	5,531	60,387	1.02	11.20
	Jul-Dec	0.133		1.025		68,289	6,128	65,763	1.01	12.20
2013	Jan-Jun	0.133		1.025		63,182	5,670	61,646	1.02	11.44
	Jul-Dec	0.133		1.025		69,996	6,281	67,157	1.01	12.46
2014	Jan-Jun	0.133		1.025		64,762	5,811	62,938	1.02	11.68
	Jul-Dec	0.133		1.025		71,746	6,438	68,586	1.01	12.72
2015	Jan-Jun	0.133		1.025		66,381	5,957	64,261	1.02	11.92
	Jul-Dec	0.133		1.025		73,540	6,599	70,051	1.01	13.00
2016	Jan-Jun	0.133		1.025		68,040	6,106	65,618	1.02	12.17
	Jul-Dec	0.133		1.025		75,378	6,764	71,552	1.01	13.27
2017	Jan-Jun	0.133		1.025		69,741	6,258	67,008	1.02	12.43
	Jul-Dec	0.133		1.025		77,263	6,933	73,091	1.01	13.56
2018	Jan-Jun	0.133		1.025		71,485	6,415	68,433	1.02	12.70
	Jul-Dec	0.133		1.025		79,194	7,106	74,668	1.01	13.85
2019	Jan-Jun	0.133		1.025		73,272	6,575	69,894	1.02	12.97
	Jul-Dec	0.133		1.025		81,174	7,284	76,285	1.01	14.15
2020	Jan-Jun	0.133		1.020		74,737	6,707	71,092	1.02	13.19
	Jul-Dec	0.133		1.020		82,798	7,430	77,610	1.01	14.40
2021	Jan-Jun	0.133		1.020		76,232	6,841	72,314	1.02	13.42
	Jul-Dec	0.133		1.020		84,454	7,578	78,000	1.01	14.47
2022	Jan-Jun	0.133		1.020		77,757	6,977	73,560	1.02	13.65
	Jul-Dec	0.133		1.020		86,143	7,730	78,000	1.01	14.47
2023	Jan-Jun	0.133		1.020		79,312	7,117	74,831	1.02	13.88
	Jul-Dec	0.133		1.020		87,866	7,885	78,000	1.01	14.47
2024	Jan-Jun	0.133		1.020		80,898	7,259	76,128	1.02	14.12
	Jul-Dec	0.133		1.020		89,623	8,042	78,000	1.01	14.47
2025	Jan-Jun	0.133		1.020		82,516	7,405	77,450	1.02	14.37
	Jul-Dec	0.133		1.020		91,415	8,203	78,000	1.01	14.47
2026	Jan-Jun	0.133		1.020		84,166	7,553	78,000	1.02	14.47
	Jul-Dec	0.133		1.020		93,244	8,367	78,000	1.01	14.47
2027	Jan-Jun	0.133		1.020		85,850	7,704	78,000	1.02	14.47
	Jul-Dec	0.133		1.020		95,109	8,535	78,000	1.01	14.47
2028	Jan-Jun	0.133		1.020		87,567	7,858	78,000	1.02	14.47
	Jul-Dec	0.133		1.020		97,011	8,705	78,000	1.01	14.47
2029	Jan-Jun	0.133		1.020		89,318	8,015	78,000	1.02	14.47
	Jul-Dec	0.133		1.020		98,951	8,879	78,000	1.01	14.47

Table 5.4: Traffic/Revenue Forecasts – 2 Toll Increments, Optimistic

Corredor Sur Tolls +25% in 2005 and 2007 Optimistic			Toll rates	Observed Traffic	Background Traffic growth	Observed Revenue	Unconstrained Tolled Traffic	Unconstrained Max AM Pk Hour Flow	Constrained Tolled Traffic	Toll/veh	Revenues
			\$/km	Vehs/day	%pa	\$mpa	Vehs/day	Vehs/hour	Vehs/day	\$	\$m
1999	Jul-Dec		0.097	25,060		3.189				0.69	
2000	Jan-Jun		0.097	37,834		5.375				0.78	
	Jul-Dec		0.097	46,912		6.81				0.79	
2001	Jan-Jun		0.097	44,756		6.329				0.78	
	Jul-Dec		0.097	47,387		6.767				0.78	
2002	Jan-Jun		0.097	46,688		6.573				0.78	
	Jul-Dec		0.123	42,180		7.445				0.96	
2003	Jan-Jun		0.123	40,118		7.088				0.98	
	Jul-Dec		0.123	46,133		8.204		4,500		0.97	
2004	Jan-Jun		0.123	44,974		7.998				0.98	
	Jul-Dec		0.133		1.080		47,676	4,650	47,676	1.01	8.84
2005	Jan-Jun		0.133		1.080		46,477	4,534	46,477	1.02	8.62
	Jul-Dec		0.166		1.080		44,281	4,319	44,281	1.23	10.03
2006	Jan-Jun		0.166		1.075		42,968	4,191	42,968	1.25	9.74
	Jul-Dec		0.166		1.075		47,602	4,643	47,602	1.23	10.79
2007	Jan-Jun		0.166		1.070		45,976	4,485	45,976	1.25	10.42
	Jul-Dec		0.207		1.070		43,804	4,273	43,804	1.50	12.12
2008	Jan-Jun		0.207		1.065		42,109	4,107	42,109	1.53	11.66
	Jul-Dec		0.207		1.065		46,651	4,550	46,651	1.50	12.91
2009	Jan-Jun		0.207		1.060		44,636	4,354	44,636	1.53	12.36
	Jul-Dec		0.207		1.060		49,450	4,823	49,450	1.50	13.69
2010	Jan-Jun		0.207		1.055		47,091	4,593	47,091	1.53	13.04
	Jul-Dec		0.207		1.055		52,170	5,089	51,620	1.50	14.29
2011	Jan-Jun		0.207		1.050		49,446	4,823	49,446	1.53	13.69
	Jul-Dec		0.207		1.050		54,778	5,343	53,701	1.50	14.86
2012	Jan-Jun		0.207		1.045		51,671	5,040	51,221	1.53	14.18
	Jul-Dec		0.207		1.045		57,243	5,584	55,667	1.50	15.41
2013	Jan-Jun		0.207		1.040		53,737	5,242	52,869	1.53	14.63
	Jul-Dec		0.207		1.040		59,533	5,807	57,494	1.50	15.91
2014	Jan-Jun		0.207		1.035		55,618	5,425	54,370	1.53	15.05
	Jul-Dec		0.207		1.035		61,617	6,010	59,156	1.50	16.37
2015	Jan-Jun		0.207		1.030		57,287	5,588	55,701	1.53	15.42
	Jul-Dec		0.207		1.030		63,465	6,191	60,631	1.50	16.78
2016	Jan-Jun		0.207		1.025		58,719	5,728	56,843	1.53	15.73
	Jul-Dec		0.207		1.025		65,052	6,345	61,897	1.50	17.13
2017	Jan-Jun		0.207		1.025		60,187	5,871	58,015	1.53	16.06
	Jul-Dec		0.207		1.025		66,678	6,504	63,194	1.50	17.49
2018	Jan-Jun		0.207		1.025		61,692	6,018	59,215	1.53	16.39
	Jul-Dec		0.207		1.025		68,345	6,667	64,524	1.50	17.86
2019	Jan-Jun		0.207		1.025		63,234	6,168	60,445	1.53	16.73
	Jul-Dec		0.207		1.025		70,054	6,833	65,887	1.50	18.24
2020	Jan-Jun		0.207		1.020		64,499	6,291	61,454	1.53	17.01
	Jul-Dec		0.207		1.020		71,455	6,970	67,005	1.50	18.55
2021	Jan-Jun		0.207		1.020		65,788	6,417	62,483	1.53	17.30
	Jul-Dec		0.207		1.020		72,884	7,109	68,145	1.50	18.86
2022	Jan-Jun		0.207		1.020		67,104	6,546	63,533	1.53	17.59
	Jul-Dec		0.207		1.020		74,341	7,251	69,308	1.50	19.18
2023	Jan-Jun		0.207		1.020		68,446	6,676	64,604	1.53	17.88
	Jul-Dec		0.207		1.020		75,828	7,397	70,494	1.50	19.51
2024	Jan-Jun		0.207		1.020		69,815	6,810	65,696	1.53	18.18
	Jul-Dec		0.207		1.020		77,345	7,544	71,704	1.50	19.85
2025	Jan-Jun		0.207		1.020		71,212	6,946	66,810	1.53	18.49
	Jul-Dec		0.207		1.020		78,892	7,695	72,938	1.50	20.19
2026	Jan-Jun		0.207		1.020		72,636	7,085	67,946	1.53	18.81
	Jul-Dec		0.207		1.020		80,469	7,849	74,197	1.50	20.54
2027	Jan-Jun		0.207		1.020		74,089	7,227	69,105	1.53	19.13
	Jul-Dec		0.207		1.020		82,079	8,006	75,480	1.50	20.89
2028	Jan-Jun		0.207		1.020		75,570	7,371	70,287	1.53	19.46
	Jul-Dec		0.207		1.020		83,720	8,166	76,790	1.50	21.26
2029	Jan-Jun		0.207		1.020		77,082	7,519	71,492	1.53	19.79
	Jul-Dec		0.207		1.020		85,395	8,330	78,000	1.50	21.59

Table 5.5: Annual Revenues \$mpa (2004 prices from 2004)

Year	Base	No Toll Increments	Optimistic
2000	12.19	12.19	12.19
2001	13.10	13.10	13.10
2002	14.02	14.02	14.02
2003	15.29	15.29	15.29
2004	16.75	16.75	16.84
2005	18.09	17.98	18.66
2006	19.45	19.24	20.52
2007	20.73	20.29	22.54
2008	21.88	21.21	24.57
2009	22.76	21.91	26.04
2010	23.44	22.45	27.32
2011	24.03	22.92	28.55
2012	24.63	23.40	29.59
2013	25.24	23.90	30.55
2014	25.87	24.40	31.42
2015	26.52	24.92	32.20
2016	27.18	25.45	32.87
2017	27.86	25.99	33.55
2018	28.56	26.55	34.25
2019	29.27	27.12	34.97
2020	29.86	27.59	35.56
2021	30.40	27.89	36.16
2022	30.95	28.12	36.77
2023	31.52	28.35	37.40
2024	32.09	28.59	38.03
2025	32.68	28.84	38.68
2026	33.22	28.94	39.35
2027	33.78	28.94	40.02
2028	34.34	28.94	40.71
2029	34.92	28.94	41.38

NB Quarterly revenues can be obtained by factoring annual revenues as follows:

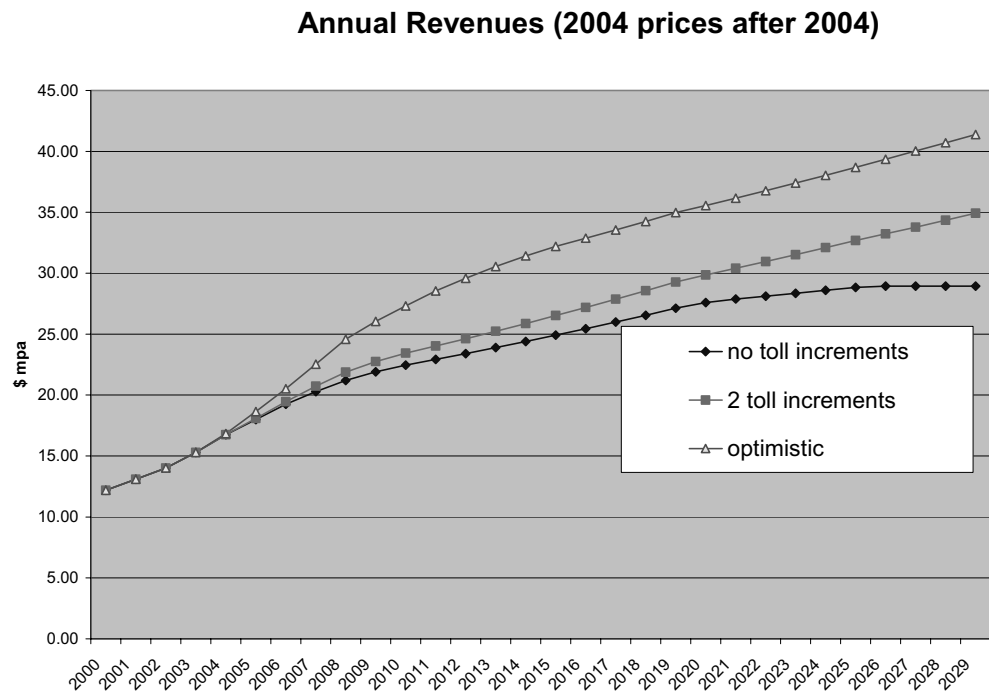
Q1: 23.0%

Q2: 24.5%

Q3: 25.0%

Q4: 27.5%

Figure 5.1: Annual Revenues (\$mpa in 2004 prices)



Risks to Toll Revenues

5.1.7

All forecasts carry risk. While it is not possible to measure this risk in a strictly statistical sense (as many of the risks are largely or partly unknown), the purpose of this analysis is to quantify that risk as far as possible. It requires as inputs the identification of the key variables, a knowledge of the likely range over which their values could vary, and their individual effects on the forecast revenues. The risk analysis has been undertaken using Halcrow's in-house RISK software, which is based on a "Monte Carlo" type analysis to predict the overall range and probability of expected traffic and revenue outcomes. The Monte-Carlo method selects 10,000 values at random for each input variable from their probability distributions, and determines a new forecast result for each input value. These results are aggregated into an overall probability distribution for the revenue forecast in specified forecast years.

5.1.8

The key risks to the revenue forecasts can be summarised as follows:

- The rate of decline of background traffic growth – which could be slower or faster than envisaged;
- The development of competing new transport infrastructure, principally the Corredor Norte extension;
- An economic recession (or economic boom), although we do not consider a mere economic slowdown to be a serious risk to Corredor Sur's revenues given the level of congestion in Panama;
- A response by drivers to toll increases that is different to that observed following the June 2002 toll increase.

5.1.9

On this basis, we have run a risk analysis in order to establish the shape and width of the probability distribution in which the forecasts lie. This is based on the assumptions shown in **Table 5.6**.

Table 5.6: Risk Analysis Variables & Assumptions

<i>Variable</i>	<i>Assumption</i>
Decline in background traffic growth	The possible range is assumed to be within either the rate of decline assumed by the Optimistic scenario (i.e. -0.5% pa) or at 20% greater decline than assumed by the Base Case scenario (i.e. -1.2% pa)
Corredor Norte (or other new infrastructure)	-10% on all forecasts from 2010
Economic recession	0% background traffic growth in 2 years to 2010 - there is also assumed to be an equivalent upside allowing additional revenue growth equivalent to half the absolute value of the downside effect
Drivers' response to toll increases	+ / - 20% in Base Case scenario elasticity values; this approximately represents the reduction in elasticity value assuming the continuation of 2001 growth in 2002 (i.e. as for Optimistic scenario) and a downside of equivalent magnitude
Other risks covering political, social, and natural events	+ / - 10% to revenues by 2010 (assumption only and not quantified) + / - 20% to revenues by 2020 (as above)

5.1.10

In order to identify the effects of these assumptions on the Base Case revenues, sensitivity tests have been carried out for each of the above assumptions. The results of the risk analysis are summarised in **Table 5.7**.

Table 5.7: Risk Analysis – Impact on Base Case Revenues

	2010	2020
Mean Revenues	+2% on Base Case	+3% on Base Case
Median Revenues	+1% on Base Case	+2% on Base Case
80% confidence level	-8% on Base Case	-10% on Base Case
20% confidence level	+11% on Base Case	+14% on Base Case

- 5.1.11* The results of the risk analysis show that the mean and median results for 2010 and 2020 are within 3% or less of the Base Case scenario revenues, that is these two estimates - which take into account due allowance for the risk issues identified here - are sufficiently close to the Base Case forecasts that the Base Case revenues can be used as a reasonable representation of the 'most likely' projections.
- 5.1.12* The 80% confidence levels, which are effectively the highest level of confidence that could be given without more detailed analysis, are within 10% of the Base Case revenues.
- 5.1.13* The effects of Corredor Norte and the economy are seen as primarily downside issues whilst the background traffic growth rate is seen as a mainly upside issue (in this context, traffic growth is currently running at over 12% pa compared with the 8% pa assumed in the forecasts). The 20% confidence level (which represents an upside view) is just over 10% above Base Case forecasts in 2010 and nearly 15% higher than Base Case in 2020.

5.2

Highway Maintenance Costs

5.2.1

A paper entitled: 'Cutting cost and improving quality through performance specified road maintenance contracts - Pilot experiences in Latin America offers lessons for Africa', by Gunter Zietlow, gives an indication of cost for maintenance of concrete pavements in Uruguay. The cost of maintenance per km and year is US \$4,750. In this case, the total length of carriageway is 40km and the maintenance period 30 years, giving an overall target budget of \$5.7m. By comparison, ICA's proposed budget is \$8m. Additional items included in ICA's budget are the cost of replacing the concrete overlay to structures at \$1.2m, and corrosion protection to bridge piers at \$1.7m. This work is not allowed for in the Uruguay budget. With this in mind, we believe that ICA's maintenance budget is of a reasonable and adequate value for the proposed works.

5.2.2

ICA's budget is summarised in **Tables 5.8 – 5.9**.

5.2.3

As the pavement is in relatively good condition and will be subject to a relatively light traffic load (20msa), the frequency of some of the activities could be reduced after an initial spend in order to raise the condition of the pavement to the required standard. There is potential to reduce the frequency of crack sealing, repairs to spalling, and retexturing of the pavement surface. With this in mind, the proposed budget could be further reduced by \$0.7m. However, it is advantageous to have some 'slack' in the budget to carry out additional and unforeseen works; for example improvements to ride quality and measurement of surface skid resistance could be included in the current budget.

Table 5.8: Forecasts for Major Maintenance 2004 - 2030

UBICACIÓN	U.	P.U.	T O T A L E S	
CONCEPTOS			VOLUMEN	IMPORTE
CORONA				
Over Lay	M2	57.73	20,859.30	1,204,207.39
Renivelación con carpeta asfáltica	Ton.	91.00	580.00	52,780.00
Reposición de Losas	M2	101.50	10,863.13	1,102,607.19
Inyección en losas	M3	65.00	3,845.00	249,925.00
Grietas	ML	4.91	157,480.00	773,226.80
Desconchamiento en juntas de Losas	M2	186.67	3,765.74	702,938.13
Textura Defectuosa	M2	18.00	12,168.52	219,033.36
Sellado Juntas de contracción	ML	4.91	43,937.00	215,730.67
Juntas de Dilatación (reparación)	ML	358.71	354.00	126,983.34
ESTRUCTURAS (PUENTES)				
Cabezales (acero exp. y corrosión)	M2	133.13	3,082.10	410,319.97
Diafragmas Metalicos Intermedios	Kg.	14.54	19,975.00	290,436.50
Trabes (acero exp. y corrosión)	M2	133.13	669.19	89,089.26
Muros (grietas)	M2	6.80	834.00	5,671.20
Pilas (acero exp. y corrosión)	M2	98.26	8,935.49	878,001.25
Filtraciones (muros)	ML.	6.80	300.00	2,040.00
OBRAS DE DRENAJE				
Canales	ML.	31.16	3,300.00	102,828.00
Cercado (derecho de vía)	ML.	46.11	10,301.50	475,002.17
SEÑALAMIENTO VERTICAL				
Señales	Pza.	530.00	356.00	188,680.00
Fantasmas	Pza.	29.14	1,106.00	32,228.84
Postes de Kilometraje	Pza.	58.59	22.00	1,288.98
Reflejante en Defe. y muro Central	Pza.	2.83	990.00	2,801.70
SEÑALAMIENTO HORIZONTAL				
Raya central	ML.	3.63	132,000.00	479,160.00
Raya lateral y/o separadora de carril	ML.	3.63	76,941.00	279,295.83
Vialetas	Pza.	5.58	9,402.00	52,463.16
TOPOGRAFIA				
Control de Nivelación	lote	4,500.00	10.00	45,000.00
IMPORTE				7,981,738.74

Table 5.9 (i): Costs for Major Maintenance, 2004 - 2029

UBICACIÓN CONCEPTOS	U.	P.U.	TOTALES		2004	2005	2006	2007	2008	2009	2010	2011	2012
			VOLUMEN	IMPORTE									
CORONA													
Over Lay	M2	57.73	20,859.30	1,204,207.36	\$ -	\$ 341,282.44			\$ 143,820.82				\$ 143,820.82
Renivelación con carpeta asfáltica	Ton.	91.00	580.00	52,780.00		\$ 52,780.00							
Reposición de Losas	M2	101.50	10,863.13	1,102,607.19		\$ 532,875.00					\$ 113,946.44		
Inyección en losas	M3	65.00	3,845.00	248,925.00			\$ 19,175.00		\$ 19,175.00		\$ 19,175.00		\$ 19,175.00
Gridas	ML	4.91	157,480.00	773,226.80	\$ 650.00	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01
Desconchamiento en juntas de Losas	M2	186.67	3,765.74	702,938.13	\$ 18,628.54	\$ 29,023.01	\$ 29,023.01	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16
Textura Defectuosa	M2	18.00	12,168.52	219,033.36	\$ 146,300.00	\$ 21,409.16	\$ 21,409.16		\$ 43,806.67				
Sellado Juntas de contracción	ML	4.91	43,937.00	215,726.67	\$ 139,935.00			\$ 9,767.95		\$ 15,159.13			
Juntas de Dilatación (reparación)	ML	358.71	354.00	126,983.34		\$ 9,767.95		\$ 9,767.95		\$ 9,767.95		\$ 9,767.95	
ESTRUCTURAS (PUENTES)													
Tratamiento Anticorrosivo	M2	133.13	12,585.88	1,675,598.20	\$ -	\$ 458,497.87		\$ 119,458.44			\$ 148,502.12		
OBRAS DE DRENAJE													
Canales	ML.	31.16	3,300.00	102,828.00	\$ -	\$ 36,912.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62
Cercado (derecho de vía)	ML.	48.11	10,301.50	475,002.17		\$ 79,167.03					\$ 79,167.03		
SEÑALAMIENTO VERTICAL													
Señales	Pza.	530.00	356.00	188,680.00		\$ 47,170.00					\$ 28,302.00		
Fantasmás	Pza.	29.14	1,106.00	32,228.84		\$ 8,057.21					\$ 4,834.33		
Postes de Kilometraje	Pza.	58.59	22.00	1,268.96		\$ 322.25					\$ 193.35		
Reflejante en Dafe, y muro Central	Pza.	2.83	990.00	2,801.70		\$ 700.43					\$ 420.26		
SEÑALAMIENTO HORIZONTAL													
Rayas central	ML	3.63	132,000.00	479,160.00					\$ 287,496.00				
Rayas lateral y/o separadora de carril	ML.	3.63	76,941.00	279,296.83					\$ 167,577.50				
Violetas	Pza.	5.58	9,402.00	52,463.16		\$ 8,743.86					\$ 8,743.86		
TOPOGRAFIA													
Control de Nivelación	lote	4,500.00	10.00	45,000.00	0	\$ 9,000.00	4500	4500	4500		\$ 4,500.00		
IMPORTE													
				7,981,738.76	\$ 305,513.54	\$ 1,635,708.81	\$ 76,743.78	\$ 186,795.17	\$ 220,564.61	\$ 533,069.37	\$ 504,659.83	\$ 62,836.73	\$ 216,064.61
IMPORTE ACUMULADOS					\$ 305,513.54	\$ 1,941,222.35	\$ 2,017,966.13	\$ 2,204,761.31	\$ 2,425,325.91	\$ 2,958,395.28	\$ 3,463,055.11	\$ 3,525,891.84	\$ 3,741,956.45

Table 5.9 (ii): Costs for Major Maintenance, 2004 - 2029

UBICACIÓN CONCEPTOS	U.	P.U.	TOTALES		2013	2014	2015	2016	2017	2018	2019	2020	2021
			VOLUMEN	IMPORTE									
CORONA													
Over Lay	M2	57.73	20,859.30	1,204,207.36				\$ 143,820.82				\$ 143,820.82	
Renivelación con carpeta asfáltica	Ton.	91.00	580.00	52,780.00									
Reposición de Losas	M2	101.50	10,863.13	1,102,607.19			\$ 113,946.44					\$ 113,946.44	
Inyección en losas	M3	65.00	3,845.00	248,925.00									
Gridas	ML	4.91	157,480.00	773,226.80	\$ 19,175.00	\$ 19,175.00	\$ 19,175.00	\$ 19,175.00	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 19,175.00	\$ 29,023.01
Desconchamiento en juntas de Losas	M2	186.67	3,765.74	702,938.13	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16
Textura Defectuosa	M2	18.00	12,168.52	219,033.36			\$ 43,806.67					\$ 43,806.67	
Sellado Juntas de contracción	ML	4.91	43,937.00	215,730.67	\$ 15,159.13				\$ 9,767.95		\$ 15,159.13		
Juntas de Dilatación (reparación)	ML	358.71	354.00	126,983.34	\$ 9,767.95		\$ 9,767.95		\$ 9,767.95		\$ 9,767.95		\$ 9,767.95
ESTRUCTURAS (PUENTES)													
Tratamiento Anticorrosivo	M2	133.13	12,585.88	1,675,598.20	\$ 119,458.44		\$ 29,043.68	\$ 119,458.44			\$ 119,458.44	\$ 29,043.68	
OBRAS DE DRENAJE													
Canales	ML	31.16	3,300.00	102,828.00	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62
Cercado (derecho de vía)	ML	48.11	10,301.50	475,002.17		\$ 79,167.03						\$ 79,167.03	
SEÑALAMIENTO VERTICAL													
Señales	Pza.	530.00	356.00	188,680.00			\$ 28,302.00					\$ 28,302.00	
Fantasmás	Pza.	29.14	1,106.00	32,228.84			\$ 4,834.33					\$ 4,834.33	
Postes de Kilometraje	Pza.	58.59	22.00	1,288.98			\$ 193.35					\$ 193.35	
Reflejtante en Dafe, y muro Central	Pza.	2.83	990.00	2,801.70			\$ 420.26					\$ 420.26	
SEÑALAMIENTO HORIZONTAL													
Rayas central	ML	3.63	132,000.00	479,160.00							\$ 95,832.00		
Rayas lateral y/o separadora de carril	ML	3.63	76,941.00	279,296.83							\$ 55,859.17		
Vialitais	Pza.	5.58	9,402.00	52,463.16			\$ 8,743.86					\$ 8,743.86	
TOPOGRAFIA													
Control de Nivelación	lote	4,500.00	10.00	45,000.00			\$ 4,500.00					\$ 4,500.00	
IMPORTE S													
				7,981,738.76	\$ 182,295.17	\$ 87,402.92	\$ 375,794.34	\$ 335,523.05	\$ 62,836.73	\$ 72,243.78	\$ 349,145.47	\$ 529,022.22	\$ 62,836.73
IMPORTE S ACUMULADOS					\$ 3,924,251.62	\$ 4,011,654.54	\$ 4,387,448.88	\$ 4,722,971.93	\$ 4,785,808.66	\$ 4,858,052.45	\$ 5,207,197.92	\$ 5,736,220.14	\$ 5,799,056.87

Table 5.9 (iii): Costs for Major Maintenance, 2004 - 2029

UBICACIÓN CONCEPTOS	U.	P.U.	TOTALES		2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
			VOLUMEN	IMPORTE									
CORONA													
Over Lay	M2	57.73	20,859.30	1,204,207.39									\$ 1,204,207.39
Renivelación con carpeta asfáltica	Ton.	91.00	580.00	52,780.00							\$ 143,820.82		\$ 52,780.00
Reposición de Losas	M2	101.50	10,853.13	1,102,607.19				\$ 113,946.44					
Inyección en losas	M3	65.00	3,845.00	248,925.00	\$ 19,175.00		\$ 19,175.00		\$ 19,175.00				
Grúetas	ML	4.91	157,480.00	773,226.80	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 29,023.01	\$ 19,175.00	\$ 249,925.00
Desconchamiento en juntas de Losas	M2	188.67	3,765.74	702,938.13	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 58,046.02	\$ 773,226.80
Textura Deflectuosa	M2	18.00	12,188.52	219,033.36	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 43,806.67	\$ 21,409.16	\$ 21,409.16	\$ 21,409.16	\$ 42,818.32	\$ 702,938.13
Sellado Juntas de contracción	ML	4.91	43,937.00	215,730.67	\$ 15,159.13	\$ 15,159.13	\$ 15,159.13	\$ 15,159.13	\$ 15,159.13	\$ 15,159.13	\$ 15,159.13	\$ 15,159.13	\$ 219,033.36
Juntas de Dilatación (reparación)	ML	358.71	354.00	126,983.34	\$ 9,767.95	\$ 9,767.95	\$ 9,767.95	\$ 9,767.95	\$ 9,767.95	\$ 9,767.95	\$ 9,767.95	\$ 9,767.95	\$ 126,983.34
ESTRUCTURAS (PUENTES)													
Tratamiento Anticorrosivo	M2	133.13	12,355.88	1,675,558.20	\$ 119,458.44			\$ 264,676.52			\$ 119,458.45	\$ 29,043.69	\$ 1,675,558.21
OBRAS DE DRENAJE													
Canales	ML	31.16	3,300.00	102,828.00	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 2,636.62	\$ 5,273.23	\$ 102,828.00
Cercado (derecho de vía)	ML	46.11	10,301.50	475,002.17				\$ 79,167.03				\$ 79,167.03	\$ 475,002.17
SEÑALAMIENTO VERTICAL													
Señales	Pza.	530.00	356.00	188,680.00				\$ 28,302.00				\$ 28,302.00	\$ 188,680.00
Fantasmas	Pza.	29.14	1,106.00	32,228.64				\$ 4,834.33				\$ 4,834.33	\$ 32,228.64
Postes de Kilometraje	Pza.	98.59	22.00	1,288.98				\$ 193.35				\$ 193.35	\$ 1,288.98
Reflejante en Defe. y muro Central	Pza.	2.83	980.00	2,801.70				\$ 420.26				\$ 420.26	\$ 2,801.70
SEÑALAMIENTO HORIZONTAL													
Rayo central	ML	3.63	132,000.00	479,160.00								\$ 95,832.00	\$ 479,160.00
Rayo lateral y/o separadora de carril	ML	3.63	76,941.00	279,295.63								\$ 55,859.17	\$ 279,295.63
Vialitas	Pza.	5.98	9,402.00	52,463.16				\$ 8,743.86				\$ 8,743.86	\$ 52,463.16
TOPOGRAFIA													
Control de Nivelación	bole	4,500.00	10.00	45,000.00				\$ 4,500.00				\$ 4,500.00	\$ 45,000.00
IMPOR TES													
					\$ 191,702.22	\$ 62,836.73	\$ 231,223.74	\$ 611,427.18	\$ 72,243.78	\$ 62,836.73	\$ 335,523.06	\$ 614,888.44	\$ 7,981,738.76
IMPORTE S ACUMULADOS					\$ 5,990,759.09	\$ 6,053,595.82	\$ 6,284,819.57	\$ 6,896,246.75	\$ 6,968,490.53	\$ 7,031,327.26	\$ 7,366,850.32	\$ 7,981,738.76	\$ 7,981,738.76

6

Conclusions & Recommendations

6.1

Traffic & Tolls

6.1.1

Traffic growth on Corredor Sur is high at present (an average of 8% pa since 2000 excluding the effect of toll increases) but will be constrained in the future by the capacity in the AM peak of the Atlapa – Costa del Este bridge and the associated toll plazas dealing with this traffic, as well as by traffic congestion in the city centre and on other roads along the corridor. Traffic growth on other roads in the corridor is undoubtedly suppressed by congestion and appears to be currently of the order of 2% pa or less.

6.1.2

No major improvements to Panama's highway or transport network appear likely in the short to medium term. The extension to Corredor Norte is embroiled in a dispute over its Right of Way between the Government and the developer; plans for a LRT system appear to be stuck and are unlikely to be affordable, and the only major new infrastructure recently built – the Centennial bridge across the Panama Canal – has no access roads at present but is likely to be little used even when these are built unless it is part of a managed traffic circulation system. Even if all these schemes proceeded, their impact on Corredor Sur's traffic would be small, with the possible exception of Corredor Norte which could possibly attract around 10% of Corredor Sur's traffic. Future growth in Corredor Sur's traffic can be expected to decline towards the wider corridor rate as its traffic will be constrained by access and egress difficulties.

6.1.3

Tolls can be increased by 25% pa until 2008, but tolls are already relatively high (by comparison with other toll roads in most countries in North, Central and South America and toll roads in Europe) and there was sufficient consumer resistance to the June 2002 increases that the extra revenue generated appears to have been modest. There are two more planned 25% toll rate increases, one in 2005 and one about two years later.

6.1.4

The optimum revenue policy appears to require the implementation of two +25% toll rate increases by 2008. Nevertheless, it could be a marginal policy as a means of increasing revenues given the extent of the consumer resistance to the June 2002 increases. The toll increases will, however, achieve other objectives, and in particular constrain traffic levels to well within the capacity of the highway.

6.1.5 Other actions that should be pursued (and which we understand are in the process of being implemented) are as follows:

- Efforts should continue to amend the Concession Agreement to remove or defer the 6 year window on toll increases greater than inflation (currently ending in 2008);
- Traffic management plans should be drawn up to operate the Atlapa – Costa del Este bridge section with 3 lanes inbound in the AM peak;
- The capacity of the existing toll booths should be measured and steps taken to increase the throughput at Atlapa and Via Israel to deal with potential capacity issues as traffic increases;
- The Government should be encouraged to improve the access junctions to/from Corredor Sur on Ave Domingo Diaz, Via Espana, Via Cincuentenario, and Ave Balboa through the provision of turning lanes and traffic signals.

6.2 ***Highway Maintenance***

6.2.1 With the exception of the concrete overlay to the structures, the existing pavement is generally in good condition with mostly minor defects occurring in the concrete pavement over the embankment and minor concrete overlay cracks on the marine viaduct.

6.2.2 The operations detailed in the proposed budget cover all the main areas of maintenance. The predicted maintenance budget of \$8m is a sensible sum of money which will allow some flexibility in targeting key activities in the maintenance plan. The ICA budget is similar to maintenance costs incurred on a similar concrete highway project in Uruguay.

6.2.3 Settlement in the main embankment is being monitored and asphalt overlays are applied to maintain ride quality. Permanent repairs will be carried out when settlement of the earthworks has stabilised.

6.2.4 The ride quality of the pavement should be improved. Good surface regularity will reduce stresses induced in the pavement structure and improve public safety and satisfaction. This work is not included in the current budget but can probably be covered from savings in other items.

- 6.2.5 It is recommended that joints are kept in good condition by maintaining a good seal and early action is taken when repairs to cracked slabs, spalling of concrete etc is required.
- 6.2.6 It is critical that the correct material for concrete overlay is used, joints are constructed at the correct interval and that a suitable bond is made between the new surfacing and the existing deck. It is recommended that trial panels be constructed using a variety of products and techniques in order to find the best solution. It is important that repairs made to the surfacing are permanent and not a future maintenance liability. An asphalt surfacing would be the most practical option but it is understood that asphalt is not acceptable in this case.
- 6.2.7 It is understood that the condition of the pavement at the end of the contract in 2029 is not specified. However, if ICA carry out maintenance work as planned, it is likely that the road will be in a good serviceable condition at the end of the maintenance and concession period. For future works, consideration should be given to a performance based specification. This type of specification defines the minimum condition of the road, bridge and traffic assets which have to be met by the contractor. Payments are based on how well the contractor manages to comply with the specification standards defined in the contract and not on the amount of works executed. The nature of the contract allocates responsibility for work selection, design and delivery solely to the contractor. The choice and application of technology and the pursuit of innovation of materials, processes and management is left to the contractor. This allocates higher risk to the contractor compared to the traditional contract arrangement, but may increase the contractors' margins where improved efficiency and effectiveness of technology, process, design or management reduces the cost of achieving the specified standards.

Annex A

Map of Corredor Sur

CORREDOR SUR



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**CONCESSION CONTRACT
(English Translation)**

Contract No. 70-96

Building of the Corredor Sur (South Corridor)

under Administrative Concession

REPUBLIC OF PANAMA

MINISTRY OF PUBLIC WORKS

CORREDOR SUR

(SOUTH CORRIDOR)

CONTRACT NO. 70-96

A contract is hereby executed as convened between the parties for the study, design, construction, maintenance, administration and operation of the Corredor Sur under the Administration Concession System, entered into between the undersigned, to wit: His Excellency Luis E. Blanco, a man of respected authority, Panamanian, of legal age, married, an engineer and resident of this city, with personal acting on behalf of the State (hereinafter "the State"), on the one hand and, on the other hand Nicolas Luis Trejo Perez, a man of respected authority, of legal age, Mexican, married, an engineer, bearer of Passport No. PAN-014, acting on behalf of the corporation ICA Panama, S.A., a company duly recorded in the Public Register, Commercial Microfilm Section, on Card 299957, Roll 45408, Image 55 (hereinafter called the "Concessionaire"), in accordance with the following clauses:

FIRST: PURPOSE OF THE CONTRACT.

The purpose of this contract is the Study, Design, Construction, Maintenance, Administration and Operation of the Corredor Sur by the Concessionaire, under Law No. 5 of April 15, 1988, the amendments and regulations thereto, supplementary laws, the Bidding Conditions and their addenda prepared by the Ministry of Public Works (hereinafter the "MOP"), and the bid of the Concessionaire subject to said Bidding Conditions and their addenda (hereinafter the "Bid"), and to the present Administrative Concession Contract. the State hereby grants the Concessionaire, under the Administrative Concession system, the exclusive operation of these road works (hereinafter the "Concession").

For the purpose of duly complying with the purpose of the contract, the Concessionaire hereby undertakes to:

1. To prepare the formal designs at its expense and to allow alternatives to these designs, always providing that such alternatives do not increase the amount of the investment and the work program contained in the Bid of the Concessionaire.

The State and the Concessionaire hereby agree that changes can be made in the design and laying out of the work, should this be necessary and convenient.

2. To present the costs for the entire work described in the Bid, taking into consideration both the marine section and the section on terra firma, and will include both the cost of any necessary branches, including that of any additional road works to be designs and built from the Corredor Sur, to the road network existing in the city of Panama.

Included within the additional road works are the infrastructures proposed for the existing road network, in order to achieve a quick access to the Corredor Sur (South Corridor) and relieve traffic congestion in Panama City.

3. To carry out the full construction of:

- Column-supported bridges on the marine section, as provided in the design and in the Bid.
- Earthfills both on terra firma and in the marine section, as provided in the design and in the Bid.
- Coastal earthfills or islands of earthfill.
- Open and closed box culverts for vehicle traffic, as provided in the Bid.
- Earth movements and all side, transverse and underground drainage works needed to guarantee the uninterrupted flow of rain, river and pumped waters, under current conditions and including those necessary for construction of the project.
- Concrete over earthwork sidewalks and pavements on the marine stretch and on terra firma, in accordance with the Bid.
- Interchanges, intersections, branches from the Corredor Sur (South Corridor) to Panama City and accessory works for improving existing road transport, in accordance with the Bid.

4. To build any necessary improvements and recondition, at its cost, an Airport in Albrook or Tocumen, as selected by the State, with an infrastructure and building capacity equal or larger than the present Paitilla Marcos A. Gelabert Airport, in the amount of ten (10) million Balboas (B/.10,000,000.00).

The State undertakes to define the airport to be reconditioned for transferring operations from the present Marcos A. Gelabert Airport, within a period of three (3) months counted as from countersignature of the present contract by the Comptroller General of the Republic.

The Concessionaire will present to the Civil Aeronautics Department, the plans for reconditioning the Airport selected by the State, which must be approved within a period of 30 calendar days counted from their presentation, and commence work as from the fifth (5th) month of the date this contract is countersigned by the Comptroller General of the Republic. In the Event of Default on this obligation, the Concessionaire can file no claim against the State.

5. To carry out a Study on the Environmental Impact of the Corredor Sur before construction work has commenced, as well as to implement the steps for protection of the environment established in such study, and under the resolution of the Instituto de Recursos Naturales Renovables (INRENARE) approving same, at its own expense. The Concessionaire will, for this purpose, receive the support and collaboration of the MOP in all the negotiations undertaken with INRENARE.

6. To accept responsibility for managing and maintaining the work during the entire duration of the Administrative Concession.

SECOND: SCOPE OF THE CONCESSION.

By means of the present Contract, the State hereby awards the Concessionaire development of the road project called Corredor Sur, the plans and technical specifications, general conditions and special conditions of the Bidding Conditions form an integral part of the Contract, together with the modifications and/or technical additions, extensions of the work and the construction of additional interconnections and any addenda or amendments thereto which may be agreed by common consent between the parties.

The following form an integral part of the Contract: The Contract signed between the parties, the Bidding Conditions, the Bid attached to the Bidding Conditions and the addenda thereto, the attachments, addenda to the contract and the complementary information supplied by the Concessionaire, which has been accepted and approved by the MOP.

These documents are complementary one to the other, and any matter provided by one imposes the same obligation on the contracting parties as though therein provided in all.

The following order of hierarchy is established for the purposes of interpretation and validity:

1. Constitutional Rules.
2. Law 5 of 1988, the amendments thereto and regulation rules.
3. Supplementary Laws.
4. The Concession Contract.
5. The Bidding Conditions and Addenda.
6. The Bid subject to the Bidding Conditions.

THIRD: OBLIGATIONS OF THE CONCESSIONAIRE.

The Concessionaire must comply with all the legal ordinance of the Republic of Panama and, specifically, with Law No. 5 of April 15, 1988, as amended by Law No. 31 of December 30, 1994 and by Law No. 36 of July 6, 1995, the Bidding Conditions and their Addenda, as prepared by the MOP.

The Concessionaire cannot, nor has it any right under any circumstances, to request from any court the attachment or seizure of all or part of the assets included in the work, not even those real estate or personal property which form an integral part of the operation, even though said assets have been acquired and financed by said Concessionaire.

The Concessionaire is obliged to protect the ecology and the environment at all times during the construction of the work, and to abide by applicable rules during the operation.

The Concessionaire will assume payment of any indemnities to be made by the State for the acquisition or expropriation of private properties necessary for carrying out the work, up to the amount of seventeen million seven hundred and seventy two thousand Balboas with 00/100 (B/.17,772,000.00), in accordance with the Bid. Any amount in excess of the foregoing, duly sustained and approved by the State, will be considered as part of the investment and will be recovered by the awarding of filling rights on the sea bed in the area coming within the Marcos A. Gelabert Airport and the Atlapa Convention Center, for an amount equivalent to the surplus. This awarding of filling rights on the sea bed and their subsequent transfer in ownership will be subject to all the provisions of Clauses Fifteenth and Sixteenth, as regards the transfer of land to the Concessionaire. Under no circumstances will there be an legal relations between the owners affected and the Concessionaire.

In the event of acquisition by sale or exchange, the value of each property will be established between the Concessionaire and the owner of the property, with the approval of the Ministry of Finance and the Treasury, which will have a period of no more than thirty (30) calendar days as from the request of the Concessionaire to approve the agreed value, under the provisions of Law 57 of 1946. In the event that no agreement is reached between the parties, administrative expropriation procedures for urgent social reasons will take place, in accordance with the provisions of article 47 of the Political Constitution. Both acquisition and expropriation procedures will be undertaken by the State.

The Concessionaire will pay the necessary sums of money to each owner as soon as acquisition has been agreed, or the value to be paid for the expropriated property will be legally determined.

The Concessionaire will be responsible to the State, the Municipalities and the authorities in general when applicable, for all obligations, commitments or debts acquired during the term of this contract, as well as for the payment of salaries and fringe benefits to its employees and indemnities to third parties. the State will therefore be released from any liability for damages to third parties, debts, obligations, commitments and payments for fringe benefits and salaries to which the present contract may give rise.

The Concessionaire will comply with all labor laws, and will grant to all employees, as minimum, the advantages granted thereto under said laws.

At least ninety percent (90%) of the employees will be Panamanian.

The Concessionaire will maintain liability insurance for damages to the users or other third parties or to their property.

The Concessionaire will take the necessary steps to achieve that the work for which it is responsible receives the benefit of suitable maintenance in accordance with the maintenance plans of the Concessionaire to be presented to the MOP. The MOP can, at all times, put forward such suggestions as it considers convenient for the purpose of achieving suitable maintenance.

The Concessionaire will permit MOP or state officials access to the work, always providing that they comply with the formalities agreed in this connection.

Prior to signature of the Contract, the Concessionaire will deliver a Performance Bond in favor of the ministry of public works/office of the Comptroller General of the Republic for ten percent (10%) of the value of the investment according to the bid, which will remain in force during the entire period the work is under construction. Should the Concessionaire complete part of the work and this is in operating condition, always providing that the MOP authorizes same, the amount of the Performance Bond will be reduced in proportion to the amount of the stage which has been completed and is in operation.

Should the Concessionaire contravene what has been agreed or delay execution of the work forming the grounds of this contract, for reasons for which it is imputable under the program prepared by the Concessionaire, action will be taken in accordance with the provisions of number 11.4 of the Special Conditions to the Bidding Conditions, as follows:

a. Should the delay occur before the work has reached a physical advance of sixty percent (60%); and is in excess of six (6) months, the State will notify this circumstance to the Concessionaire, and the latter will have a period of three (3) months to remedy the delay.

If, once the three (3) months has elapsed, the Concessionaire maintains or increases the period of delay, the State will impose thereon the penalties laid down in article 19 to Law 5 of 1988.

After one month has elapsed following application of the fines, should the Concessionaire maintain or augment the delay, the State will collect the Performance Bond.

b. Should the delay occur after the work shows a physical advance in excess of sixty percent (60%), the State will advise the Concessionaire of this circumstance. After one (1) year has elapsed from said notification, should the period of delay be maintained or increased, the State will impose the penalties provided for in article 19 to Law 5 of 1988.

One month after application of the fine, should the Concessionaire maintain or increase the delay, the State will collect the Performance Bond.

The Concessionaire agrees that the MOP is fully entitled to inspect the execution of the work in order to guarantee that, in the construction thereof, the rules and practices accepted in engineering practices are complied with, and also the technical specifications approved and/or supplied by the MOP and established in the Bidding Conditions and their Addenda.

The Concessionaire must pay all duties, encumbrances and taxes, both national and municipal, in accordance with Law, except for those from which it has been exempted under the provisions of the present Contract, as provided in Law No. 5 of April 15 1988, and those from which it is additionally exempted due to any amendments which may be made to said Law in the future or any other applicable law, for which purpose the MOP will provide its collaboration to the Ministry of Finance and the Treasury and the corresponding authorities, for the purpose of achieving a quick and efficient recognition of such benefits in favor of the Concessionaire.

Ten (10) years prior to the end of the concession term, the Concessionaire will present a bond which guaranties reversion of the work subject matter of the Concession, with the same service level with which it was originally built.

The State will not offer any subvention or additional income to the Concessionaire either during or after the construction of the work, for reasons of Force Majeure or an Act of God.

For the purposes of this Contract, force majeure and act of God will be understood to mean as described in Article No. 34d of the Civil Code, which reads textually as follows:

ARTICLE No. 34D: "Force majeure is understood to mean the situation produced by acts of Man which it has not been possible to resist, such as public acts, seizure by the enemy and others similar. An act of God is that resulting from occurrences of a nature which it has not been possible to foresee, such as shipwreck, earthquake, fire and others of the same or a similar nature".

The Concessionaire will assume for its account and risk, responsibility for the study, design, construction, operation, preservation and maintenance of the works coming within the scope of the Concession, under the control and supervision of the MOP, in exchange for receiving from the users of Corredor Sur an amount of money resulting from authorized tariffs and contained in the following clause, and the other income obtained by the land transferred thereto by the State in ownership and for the operation of related activities, when use is made of its first option under the provisions of Article 25 to Law 5 of 1988.

FOURTH: TOLL RATES.

The initial tolls to be charged by the Concessionaire in accordance with the Bid, are those herein below detailed:

CORREDOR SUR

No.	Class	Type	Rate for		Rate by Section			
			Entire Route		Aquino de la Guarcia to Cincuentenario	Cincuentenario to Parque Lefevre	Lefevre -Chanis	Chanis to Las Acacias
1	A	Motocycles, Cars, Pickups	B/.1.80	B/.0.60	B/.0.35	B/.0.35	B/.0.30	B/.0.20
2	B	Microbuses, Autobuses	B/.3.05	B/.1.00	B/.0.60	B/.0.60	B/.0.50	B/.0.35
3	C	Trucks	B/.4.50	B/.1.50	B/.0.90	B/.0.85	B/.0.75	B/.0.50
4	D	Trucks with Trailer	B/.4.50	B/.1.50	B/.0.90	B/.0.85	B/.0.75	B/.0.50

Collection of the tolls from the public will be in agreement with the segments actually went over by each user. This initial tariff is equivalent, in general terms, to an average of B/.0.0925 per kilometer for class A vehicles, and will be multiplied by a factor of 1.7, 2.5 and 2.5., respectively, for class B, class C and class D vehicles, in the terms of United States of America dollars.

The Concessionaire reserves the right to charge lower rates than those in force for the purpose of providing an incentive to utilize the Corredor Sur, which it will advise to the MOP

During the first three (3) years of the Concession, the State will only accept increases to the rate agreed due to inflationary costs originating in the Republic of Panama.

In order to determine the value of the toll at current prices, the value of the rates established in the Bid will be adjusted as from the moment the Concession comes into operation, in an amount equal to the variation in the current Consumer Price Index supplied by the Office of the Comptroller General of the Republic, from October 1995 to the date of the updating.

Subsequent to commencement of operation of the Concession, the toll rates will be adjusted by inflation each year as from the date of the last adjustment made, and during the overall term of the Concession, in an amount equal to the variation in the Consumer Price Index published by the Comptroller General of the Republic, or at the moment said index experiences an increase of five percent (5%) or more with respect to the index existing on the date when the last adjustment took place.

The Concessionaire will notify the MOP of adjustments to rates for inflationary costs, in accordance with the review system hereinabove described and duly supported. The MOP will have fifteen (15) working days to verify the calculations of tariff adjustment presented, for the purpose of determining whether said calculations are in accordance with the approved review system.

Rates can be reviewed and/or modified as many times as necessary, always providing approval is obtained from the MOP and the Council of Ministers. The duly-supported application for increase filed by the Concessionaire with the MOP, will be submitted to the Council of Ministers, which entity will have thirty (30) calendar days to approve or reject the application.

As from the ninth (9th) year of the operating period, if, within the three (3) months following each fiscal year, income from the rates fails to reach the total recoverable amount under the financial program presented, the Concessionaire will be entitled, under the Bidding Conditions, to ask that the rates be raised.

Should the market not permit any adjustments in tariffs, the term of the concession will be extended for the necessary period in order for the Concessionaire to obtain the agreed revenues.

By approving this contract, the Council of Ministers authorizes the Concessionaire to increase the tolls shown in the foregoing table annually, as from the fourth (4th) year and up to the ninth (9th) year of operation, at the effective rate of twenty-five percent (25%) annually.

Only the entities determined by the Council of Ministers will be exempt from payment of the toll or rates. The MOP will notify the Concessionaire and provide the latter with all necessary details for a full understanding of the application for exemption. No exemption will be unilaterally authorized.

FIFTH: RIGHTS.

The Concessionaire will have the following special rights:

1. To collect rates from the users based on application of the provisions of this contract, or those otherwise authorized by the Council of Ministers at the request of the Concessionaire.
2. To receive the collaboration of the police authorities for the purpose of preserving compliance with regulations and maintaining public order, and the rights of third parties against whomsoever violates their legal rights and police regulations, orders or instructions in the matter.
3. To receive the collaboration of the police authorities, in ensuring that regulations are observed and public order and the rights of third parties maintained against whomsoever breaches the peace contrary to Law, the Regulations and any police orders or instructions which may exist.
4. For the MOP to arrange for and obtain the necessary easements for execution of the work from the corresponding authorities and private individuals, and concessions for the extraction of construction materials within legally-permitted areas, permits for the disposal of waste and garbage at the places agreed with the MOP, with all and every one of the corresponding authorities, all this being necessary for providing the service for which this has been done, as provided in clause third of this contract, in the cases where privately-owned properties are affected. The MOP should also assist the Concessionaire in obtaining the corresponding permits of use, in coordination with the competent entities. The permits negotiated by the MOP with private individuals will not lead to any disbursement on the part of the State.

In order to commence construction of the works on the corresponding section, a continuous stretch of at least forty percent (40%) of the right of way must be released, and the sixty percent (60%) will be released in accordance with the building program for said section.

Eight (8) months prior to the termination date of the works, one hundred percent (100%) of the right of way must be released, in order for the Concessionaire to comply with the work program.

5. Upon receiving the indemnity to which clause Tenth of this contract refers, in the event of administrative redemption.

6. To receive in ownership from the State approximately 29.5 hectares of the present Marcos A. Gelabert Airport, which will be delivered free of all encumbrance and the right to fill an area of 35 hectares on the sea bed located between the Marcos A. Gelabert Airport and the Atlapa Convention Center, for inhabitation, development and commercialization within the period of the Concession, as well as the right to fill additional marine beds where applicable, in accordance with the provisions of this contract.

The income received by the Concessionaire from sale of the lands transferred thereto by the State, will be considered as assets subject matter of this concession contract.

The transfer of the lands and properties will take place in accordance with the provisions of Law 5 of 1988 and the amendments thereto and legal provisions governing the transfer of assets of the State insofar as these are applicable. Said transfer will be made by the Ministry of Finance and the Treasury with the approval of the Comptroller General of the Republic, under the terms and conditions established in the present contract.

The State undertakes to transfer said properties to the Concessionaire in ownership, and free from all encumbrances and taxes.

The State will deliver the facilities of the Marcos A. Gelabert Airport, completely unoccupied and vacated by holders of revocable bailments, users or concessionaires thereof with whom the Civil Aeronautics Department has executed contracts or given authorization for use and operation.

7. Further to the provisions of article 37 of Executive Decree No. 17 of 1989, as amended in article 24 to Decree 272 of November 30 1994, the Concessionaire can, with the consent of the State, assign and transfer rights of any kind to third parties, in whole or in part, as contemplated in the present Concession Contract, at any stage of the Concession to which this corresponds, including the operating phase, or with respect to all the revenue obtained from the Concession, including rights to toll. According to the provisions of article 75 of Law 56 of 1995, the Concessionaire can sub-contract the activities necessary for complying with the purpose of this contract to national or foreign companies, either in whole or in part, and the provisions of article 26 of Executive Decree No. 272 of November 30 1994 will apply to said sub-contractors.

8. The State and the Concessionaire can agree on any additional improvements, extensions or interconnections made to the work.

The Concessionaire can establish an administrative trust under the terms of Law 1 of 1984, for carrying out the work in its investment and recovery of the credits and all their accessories and the invested capitals stage, with their corresponding updating and yields, in accordance with the financing program and the amendments thereto.

SIXTH: FISCAL BENEFITS.

The Concessionaire will be entitled to the following fiscal benefits:

1. As from the award of the Concession and during the execution of the works, the assets subject matter of the Concession will be exempt from:

1.1 Import Duties. Once the work has been completed all the construction machinery and equipment brought into the country must be reexported, unless the respective import duties and taxes are canceled.

1.2 Reexport Tax.

1.3 Transfer of Private Properties Tax.

1.4 Income Tax.

2. During the administration of the works or assets, the Concessionaire will be entitled to exemption from:

2.1 Income Tax, together with:

2.1.1 One hundred percent (100%) during the first five (5) years.

2.1.2 Seventy-five percent (75%) during the following five (5) years.

2.1.3 Fifty percent (50%) during the remaining years of the Concession.

2.2 One hundred percent (100%) exemption from stamp tax.

2.3 One hundred percent (100%) exemption from the tax on importation of the maintenance and operating equipment essential for administering the works of the Concession.

2.4 One hundred percent (100%) exemption from the transfer of movable properties tax on importation of the maintenance and operating equipment essential for administering the works of the Concession.

3. Further to the provisions of Article 24 of Law 5 of 1988, the financial entities of the Concessionaire will be exempt from Income Tax on the interests charged for the loans granted for financing the works, before and during the construction and administration of the works of the Concession.

The stockholders, whether individuals or corporate entities, who receive dividends on the activities of the Concession, will not be obliged to pay Income Tax under article 733 of the Fiscal Code. However, should these persons declare said dividends abroad for the purposes of paying income tax overseas, and ask in said foreign country that a credit be recognized for all or part of the tax, the rates established under articles 699 and 700 of the Fiscal Code will be paid to Panama. Should the credit thus requested be granted to them, said persons must present evidence in Panama to the effect that said credit has been formally recognized, and the amount of same, and only in this case will they be obliged to pay a tax to Panama, which will be in an amount equal to the credit given them. For this purpose action will be taken in accordance with the provisions of the Fiscal Code and the respective regulations on the matter.

4. The Concessionaire will hold the first option for engaging in activities related to the Concession, in which case it can benefit from the tax incentives granted under the respective development laws for industrial and commercial activities. In this case the net income obtained from said activities will be added to net income for the purposes of number 2, sub-number 2.1 to article 23 of Law No. 5 of 1988, according to the period in question.

SEVENTH: OBLIGATIONS AND RIGHTS OF THE STATE.

The State assumes the following obligations before the Concessionaire:

- a. To allow the Concessionaire a correct and pacific utilization of the work given under concession.
- b. To promptly notify the Concessionaire, in writing, with regard to any default by the latter of the obligations agreed in this Contract.
- c. To guarantee the easements, right of way and rights of passage and access required by the Concessionaire in order to carry out the agreed work.
- d. To indemnify the Concessionaire further to clause tenth, in the event of administrative redemption.

e. To allow the Concessionaire to obtain the total recoverable amount in accordance with the provisions of clause fifteenth.

f. To grant any duly-supported certifications and vouchers which may be required, based on this contract, within the five (5) working days following the date which the Concessionaire so requires, in order to permit the Concessionaire to take all necessary action before national and foreign authorities in connection with the Concession, or which are required and necessary for complying with the obligations and achieving the purpose of the Concession. The MOP will do all possible to ensure that said action is promptly concluded, in accordance with the chronograms agreed between the parties.

g. To guarantee free use of the assets subject matter of the Concession to the Concessionaire, with no limitations other than those contained in the legal and contractual regulations governing the present contract, and to allow the Concessionaire to place advertisements and signals on neighboring roads and in the surrounding property developments, to be subject to the corresponding legal norms, for the purpose of promoting or providing incentives for utilization of the Corredor Sur.

h. To hand over the lands where the Marcos A. Gelabert Airport (Paitilla) is currently located, in accordance with the provisions of clause Fifth, insert 6 and Sixteenth, and to formally legalize the ownership of such areas in the name of the Concessionaire, together with that of the filled-in areas to be delivered thereto in ownership by the State.

i. To recognize any expenses arising due to delays in the work program for reasons imputable to the State, in accordance with the provisions of clause Eighteenth.

In addition to the rights established in the present contract and in Law 5 of 1988, the State will be entitled to:

1. Inspect the work construction carried out by the Concessionaire for the purpose of guaranteeing that norms and practices usually accepted in the practice of engineering are complied with, together with the specifications and other contract documents, and to work together with the Concessionaire in order to achieve a rapid and satisfactory solution to problems.

2. It can, through the competent offices of the MOP, inspect and supervise the activities of the Concessionaire and its contractors, and appoint auditors for carrying out the necessary audits, it being understood that the audits must take place at the offices of the Concessionaire. The inspections and/or supervision must take place on working days and within working hours.

The State will notify the Concessionaire in writing prior to each inspection or supervisory activity, as to the activities which are to be the subject matter of same.

3. The State will be able to make or grant or grant authorizations to third parties for effecting earthfills in the marine area between the Marcos A. Gelabert Airport and the Atlapa Convention Center, after a period of fifteen (15) years counted as from the date this contract is countersigned by the Comptroller General of the Republic, or until such time as the Concessionaire sells a percentage of not less than seventy-five percent (75%) of the filled-in land, whichever of the two circumstances occurs first. The filled-in areas utilized by the State for public use, government offices or public services, are exempted from this provision.

The State undertakes to only authorize the building of future road works under concession similar to the Corredor Sur (South Corridor), at a distance of no less than two thousand (2000) lineal meters from both sides of the Corredor Sur, counted as from the central axis of the Corredor (not its access roads). Exempted from this provision are the Corredores Norte and Sur (North and South Corridors) and their extensions, together with any interconnections between same which are agreed by the concessionaires of both corridors under the authorization of the State.

The provisions of this clause cannot be interpreted as a limitation to the right of the State to build, improve and maintain urban roads within the above-mentioned strip, in which vehicles exceed the maximum speeds laid down in the Transit Regulations.

EIGHTH: BOOKS AND DOCUMENTS.

The accounting books of the Concessionaire will be kept up to date at all times, in accordance with the laws of the Republic of Panama, and the MOP and Ministry of Finance and the Treasury will have access thereto, and exercise their audit functions in accordance with the respective legal provisions.

NINTH: EXPIRATION OF THE CONTRACT.

The following will provide grounds for expiration the present contract:

1. When the works subject matter of the Concession are not carried out in the manner and under the terms agreed.
2. When the purpose of the Concession is altered without the authorization of the MOP.
3. When the Concession of the assets thereof are transferred, assigned or encumbered without authorization from the Council of Ministers, or when the assets are used for a purpose other than the purpose of the Concession.
4. In the event of violation of numbers 1, 2, 3 and 5 to article 13 of Law No. 5 of April 15, 1988.
5. When the Concessionaire is declared bankrupt, or due to its full and verified financial or technical inability to comply with the purpose of the Concession, even in the absence of a court order.
6. Due to administrative redemption of the Concession, following payment of the indemnity calculated as provided in the following clause.

TENTH: PROCEDURE FOR INDEMNITY IN THE EVENT OF ADMINISTRATIVE REDEMPTION.

When the Concession becomes subject to administrative redemption for reasons of public interest, the Concessionaire will receive as indemnity for the sum of money not received in tolls, an amount to be determined thus:

- a. Should administrative redemption occur before commencement of the operating stage, the amount resulting from adding the sum invested plus interests arising to the redemption date, plus the amount in excess of this total which represents the revenue rate expected from collecting the toll during the entire term of the Concession.
- b. Should administrative redemption occur during the operating period, the amount representing the current net value of total investments made in the amortization plus interests at the redemption date, and the amount of revenue rate which it is expected to obtain from the project from tolls, calculated over the entire operating period as though government redemption had not occurred.

ELEVENTH: JURISDICTION.

The present contract will be exclusively governed and interpreted in accordance with the Laws of the Republic of Panama, and the parties expressly submit themselves to the jurisdiction of its courts.

TWELFTH: ARBITRATION.

Notwithstanding the contents of the preceding clause, any controversies which cannot be amicably resolved can be resolved by arbitration, in accordance with the rules of procedures contemplated in the Judicial Code and subject to the provisions of the Political Constitution.

Any controversies which arise between the parties in connection with the purpose, application, execution or interpretation of the contract, will be subject to arbitration in accordance with the provisions of this article, as will all those in connection with the validity, compliance with or the termination of the contract.

Arbitration will be limited to the subject matter of the controversy and, pending the resolution of same, will not have the effect of suspending or delaying compliance with the principal obligations of the contract.

THIRTEENTH: WAIVER OF DIPLOMATIC CLAIMS.

The Concessionaire hereby waives any diplomatic claims in connection with the duties and rights arising from the present contract, except in the event of the denial of justice. It is understood that it will not be considered that denial of justice has occurred if the Concessionaire has had access to the resources and means of action which can be employed under Panamanian Law, and has failed to make use of same.

This precept will also be applied in the event of assignment of the present contract to foreigners, or to corporations where foreigners hold or have control over the company's shares or partnerships.

FOURTEENTH: PERIOD ALLOWED FOR STUDIES, DESIGNS, FINANCING AND CONSTRUCTION.

The Concessionaire will have a period of nine (9) months for preparation of the studies and designs and obtaining the financing, counted as from the countersigned of this contract by the Comptroller General of the Republic.

The State will issue a Order to proceed with the terra firma section, and another for construction of the maritime section.

The Order to Proceed for construction of the first section will be issued upon termination of the nine (9) month period laid down for preparation of the studies, designs and procurement of the financing for the section requested by the Concessionaire, and will be approved by the MOP. The order to proceed for construction of the second section will be issued twelve (12) months after the date this contract is countersigned by the Comptroller General of the Republic.

The period of construction for each section will be eighteen (18) months, counted as from the date of the respective order to proceed.

FIFTEENTH: RECOVERABLE AMOUNT.

It is agreed that the total amount recoverable by the Concessionaire will be the following:

a.	Investment	B/ <u>.222,322,295.00</u>
b.	Reasonable Profit	B/ <u>.84,112,886.00</u>
c.	Total Amount	
	Recoverable (a+b)	B/ <u>.306,435,181.00</u>

RECOVERY

1.	Collection of Toll	B/ <u>.189,847,681.00</u>
2.	Net estimated revenue	
	from the sale of land	B/ <u>.116,587,500.00</u>
	Total Recovery (1+2)	B/ <u>.306,435,181.00</u>

In the event that the amount of the investment made by the Concessionaire results, for any reason, to be lower than that estimated in the bid presented, the reasonable profit and total recoverable amount will be adjusted taking said decrease into consideration.

The Concessionaire will have obtained the total recoverable amount (a+b) at current October 1995 value, on the date on which its net income from tolls, the transfers of properties and other income from operation of the concession (after deducting maintenance, operating, administrative and advertising costs and expenses, royalties, permits, taxes, financial costs and expenses, premiums, commissions, insurance, bonds and all costs and expenses necessary for the good working of the Concession from said income, as established in the present contract and in accordance with the provisions of letter "M," called "Financial Proposal," of the Bid), the total amount indicated in this clause having been achieved as hereinbelow detailed:

a. From the value of the ownership transfer of approximately 29.5 hectares of land, located at the present Marcos A. Gelabert Airport, the Concessionaire will have received in estimated net income from the sale of such land, the amount of sixty nine million, six hundred thousand Balboas with 00/100 (B/.69,600,000.00) and, from the transfer of ownership of thirty five (35) hectares of marine fill located between the Atlapa Convention Center and the Marcos A. Gelabert Airport, coming within the jurisdiction of San Francisco, District of Panama, Province of Panama, the amount of forty six million, nine hundred and eighty seven thousand five hundred Balboas with 00/100 (B/.46,987,500.00) in estimated net income.

The foregoing amounts of money will be accredited as revenue recovered by the Concessionaire, on the dates the transfers of land are made from the State to the Concessionaire.

In order to effect the earthfills on the seabed, the Concessionaire will have a period of fifteen (15) years counted as from the date on which the State grants it the right to fill, after which time the State will apply the value assigned as net estimated value for the ownership transfer of the thirty five (35) hectares of marine earthfill, to the total recoverable amount.

This condition will also apply in the event of the granting of rights to fill additional parts of the seabed, in accordance with this contract.

b. By one hundred percent (100%) of the surplus from the sales price of lands which exceed or surpass two hundred and fifty Balboas with 00/100 (B/.250.00) per square meter, determined at constant October 1995 prices, and discounting the financial costs corresponding to an effective rate not to exceed 12% per annum equivalent to the average capital cost. This surplus will be assigned to the agreed gross income from tolls.

Said constant October 1995 prices will be calculated by means of a price index for the lands transferred, to be prepared annually by the Comptroller General of the Republic by means of an applicable methodology.

c. By means of the gross revenue from tolls as detailed in letter M of the BID, called "Financial Proposal," less operating, maintenance and administrative costs discounted at the average capital cost of the corresponding project and an effective real rate not to exceed twelve percent (12%) per annum, until the amount shown is reached.

The Concessionaire undertakes as follows:

1. Any offer for the sale of land must be published in a newspaper of nationwide circulation for a minimum 3-day period, and the period given to receive offers from interested parties will be not less than 30 calendar days, counted as from the last day of publication.

2. All publications in connection with the offer of land for sale, must contain an identification of the area to be sold and a base price.

SIXTEENTH: LANDS TO BE TRANSFERRED DIRECTLY IN OWNERSHIP TO THE CONCESSIONAIRE.

The State, through the Ministry of Finance and the Treasury, will effect a physical inspection and delimitation of the land to be transferred to the Concessionaire, in conjunction with the latter, for the purpose of establishing the boundaries, measurements and other characteristics thereof. the Concessionaire can commence the filling of land before or upon commencing the work.

The parties agree that the lands corresponding to the Marcos A. Gelabert Airport (Paitilla), will be transferred in full to the Concessionaire in ownership, after the State, through the Civil Aeronautics Department, accepts the construction work covering the improvements and restoration of the Airport selected by the State, and said airport is in operating condition in accordance with the obligations of the Concessionaire as established under clause First, number 4. A bond equivalent to two hundred percent (200%) of the value laid down in this contract for the lands to be transferred thereto must be provided, deducting the amount of investments made in the Corredor Sur and in the restored Airport at the transfer date, duly supported and approved by the State. Said transfer of ownership will take place within a period of no more than ninety (90) calendar days, counted as from the date on which the foregoing conditions are complied with.

Should the Concessionaire request from the State, prior to conclusion of the Corredor Sur, partial authorization to carry out earthfills of the seabed within the area mentioned in this contract, and subsequent transfer of the ownership of same, it must first, prior to the transfer, consign a bond for one hundred percent (100%) of the value established in this contract, for the land to be filled on the seabed, less the cost of the earthfills as established in the Bid of the Concessionaire.

Said bonds must be issued by an insurance company or bank duly authorized to issue this type of bond, verified and accepted by the office of the Comptroller General of the Republic, which entity will approve the reinsurance companies with which the risk is placed.

These bonds will be kept in force until the Corredor Sur has been placed in full operation, and will guarantee to the State payment of the land which has been transferred, in the event that the Concessionaire fails to complete the work.

When the Concessionaire completes the first section of the Corredor Sur and this has been placed in operation, the amount of said bonds will be reduced by an amount equivalent to the percentage between the value of the investment made on the completed section, and the total value of the investment according to the Bid, which sum will be established by common agreement between the MOP and the Concessionaire.

An appraisal of the land to be transferred will be made by the Ministry of Finance and the Treasury and the Office of the Comptroller General of the Republic, within a period not to exceed thirty (30) calendar days as from receipt of the Concessionaire's application. Notwithstanding the value assigned to the land, the provisions of clause Fifteenth of this contract will apply for the purpose of determining the total recoverable amount.

SEVENTEENTH: EXPIRY DATE OF THE CONTRACT.

This contract will come into force as from the date it is countersigned by the Comptroller General of the Republic, and will remain in force until thirty (30) years have passed, counted as from the date any of its sections is authorized and placed in public service by the MOP, or until the Concessionaire has obtained the total recoverable amount as agreed and detailed in clause Fifteenth, whichever of these events occurs first.

The Ministry of Finance and the Treasury, in conjunction with the Concessionaire and with authentication by the Office of the Comptroller General of the Republic, will determine whether the Concessionaire has obtained the total recoverable amount or not, based on clause Fifteenth.

In the event that it is established and credibly proven prior to termination of the thirty (30) years, that the Concessionaire will not manage to obtain the amount to be recovered by means of tolls, both parties will formally commence negotiations to amplify or extend the period of the Concession.

Three (3) months prior to termination of the period of the contract, and always providing that the term of the Concession is not going to be extended, the parties will sign an agreement which fixes the date and time at which the period of effect of the present contract will come to an end, when the work subject matter of the Concession will revert to the State.

Upon termination of the period of effect of this contract, all the works which have been given for administration and operation by the Administrative Concession System, will revert to the State free of costs, encumbrances and claims, and with the same level of service for which they were built, saving only normal wear and tear caused by use and the passage of Time. For this purpose all necessary repairs must be carried out in order to maintain said level or, in the event of administrative redemption, with the level of service such works possess, providing them with all pending maintenance at the moment the Administrative Concession is terminated, and previously paying the amount of the corresponding indemnity.

The foregoing implies that the Concessionaire waives the right granted thereto under Article 1770 of the Civil Code, in concordance with Article 1468 of the Judicial Code, and the parties therefore agree that the Concessionaire cannot sue to justification of title constitutive of ownership over the improvements or permanent works effected in the area given under concession, excepting the lands and marine fills transferred in ownership by the State and mentioned in clause Fifth, number 6, of the present contract.

No clause of this contract can be interpreted as signifying that the State waives its rights over the works, subject matter of same.

Upon termination of the period of effect of the Concession, neither the lands nor the works carried out by the Concessionaire on the lands to be transferred in ownership by the State under the present contract, will revert to the State.

EIGHTEENTH: CONTRACTUAL EQUILIBRIUM.

The risk assumed by the Concessionaire in accordance with the provisions of the final paragraph of clause Third, is normal and predictable for the economic activity with which this contract is concerned; therefore, the Concessionaire is not obliged to assume losses or deficits arising from unusual or unpredictable situations.

For the benefit of continuity of service, and based on the contents of article 19 of Law 56 of 1995, the State, through the MOP and during the period of effect of the present contract, will maintain a contractual equilibrium of the Concession existing at the moment this contract is executed, and will reestablish same in the event of rupture due to unusual or unforeseen circumstances.

For the purposes of this contract, it will be considered that a financial-economic lack of contractual equilibrium exists when any of the following events occurs:

a. The issue of a law or decree which affects the Concessionaire economically or financially. In this case the Concessionaire will be entitled to have such effect on the recovery of its investment recognized by increasing the toll rates, or through the granting of filling rights to the seabed within the area between the Marcos A. Gelabert Airport and the Atlapa Convention Center, should the market not allow the toll to be increased. On transferring the lands resulting from filling the seabed, the provisions of clauses Fifteenth and Sixteenth of this contract will apply.

b. In the event that the State fails to comply with its obligation to deliver the Marcos A. Gelabert Airport (Paitilla) to the Concessionaire under the terms, periods and conditions stipulated in this contract. For this purpose, the parties will agree on a means of compensation which allows the Concessionaire to obtain the estimated flow of revenue for the construction stage of the work, obtained from the sale of such lands in accordance with the terms and conditions mentioned in letter M of the Bid and called "Financial Proposal". Should the parties fail to agree on such means of compensation, this contract will therefore be terminated, the State being obliged to pay the Concessionaire, as indemnity, an amount equivalent to the investment made, including interests arising on the credit portion provided by financial entities and the capital belonging to the Concessionaire for the time elapsed, at the effective internal return rate (TIR) indicated in the Bid.

c. If, due to the fault of the State, a delay occurs in the work program. In this case the expenses caused by such delay will be recognized in the total investment, in order that they be recovered by means of an increase in the toll tariffs or by the granting of filling rights on the seabed, in the area coming between the Marcos A. Gelabert Airport and the Atlapa Convention Center, in the event that the market fails to allow the increase. On transferring the lands resulting from filling the seabed, the provisions of clauses Fifteenth and Sixteenth of this contract will apply.

d. In the event that the Concessionaire, for reasons of any nature for which it is imputable to the State, is unable to collect the tolls or the updating of the tolls approved by the Council of Ministers, the State will allow the Concessionaire to recover the unreceived revenue by granting rights to fill-in the seabed within the area between the Marcos A. Gelabert Airport and the Atlapa Convention Center, in a value equivalent to the amounts of money which have not been collected in tolls. This granting of rights to fill-in the seabed and its subsequent transfer in ownership will be subject to all the provisions of clauses Fifteenth and Sixteenth as regards the transfer of lands to the Concessionaire. In this event, the revenue obtained from the additional transfer of lands obtained from marine earthfills will be considered as part of the gross revenue from tolls, and part of the total recoverable amount.

e. Should damage be caused to the work by abnormal natural conditions, by actions of the State, public enemies or other unforeseeable causes outside all control of the Concessionaire. In these cases, the State and the Concessionaire will negotiate in order to reestablish the service level of the road, in accordance with the provisions of number 10.2, paragraph third, of the Special Conditions to the Bidding Conditions. The parts undertake in good faith, in accordance with the provisions of article 19 to Law 56 of 1995 and when this applies, to sign such agreements and pacts as may be necessary in order to maintain contractual equilibrium, when events arise other than those dealt with under letters a, b, c, d and e of this clause, including amounts, conditions, the form of payment of additional expenses, recognition of financial costs and interests, as applicable, in the manner provided under the amendment to the contract, which additional payment, should such exist, will take place in the form established under the amended contract and in accordance with the provisions on expenses given in the general budget of the State, for the period during which said expenses should be paid.

NINETEENTH: AMENDMENTS TO THE CONTRACT.

Any change, amendment, addition or elimination of the conditions, rights and obligations agreed with the Concessionaire in the present contract will, once they have been approved by the MOP, be formalized in a Addenda or Complementary Agreement which, in order to be valid and enter into force, will require the same procedures as the present contract, of which it will form a part.

TWENTIETH: FISCAL STAMPS.

Under the provisions of Article 967, Ordinal 2 of the Fiscal Code, the respective fiscal stamps will be attached to this Contract, based on the total amount of the investment consigned in the bid of the Concessionaire.

In the City of Panama on the sixth day of the month of August one thousand nine hundred and ninety six (1996).

FOR THE STATE

FOR THE CONCESSIONAIRE

(illegible signature)

LUIS E. BLANCO

MINISTER OF PUBLIC

WORKS

(illegible signature)

NICOLAS LUIS TREJO

ICA PANAMA, S.A.

AUTHORIZED

(illegible signature)

OFFICE OF THE COMPTROLLER GENERAL OF THE REPUBLIC

Panama, on the 8th of August 1996.

ARISTIDES MORENO JR .

Comptroller General

In the lower left corner, illegible paragraphs.

I, MARISELA BERNAL DE RUIZ, Twelfth Notary Public for the Panama Circuit, City of Panama, hereby Certify that this photocopy is a faithful copy of its original which has been presented and returned to the interested party.

Panama, 19-8-96

(Illegible Signature)

MARISELA BERNAL DE RUIZ

Notary Public

In the right corner, a stamp reading: Twelfth Notary Public for the Panama Circuit.

The undersigned officer of Administrative Management of the Ministry of the Interior and Justice, duly authorized for the present act, hereby:

CERTIFIES:

That the foregoing signature is authentic.

(illegible signature)

Placed on the present document

on the 14th day of August 96

Panama, 14 August 96

(illegible signature)

APOSTILLE

(Convention of The Hague of October 5 1961)

1. Country: Panama
The present public document
2. Has been signed by Emeterio Valdes
3. Acting as Assistant
4. and contains the stamp/seal of
The Ministry of the Interior and Justice

CERTIFICATE

5. in Foreign Relations
6. the 16/8/96
7. by the Officer for Legalizations
8. under the number 5
9. folio number:
10. Signature:

(illegible signature)

Olda M. Sierra

A stamp containing an emblem and the words: Republic of Panama – Ministry of Foreign Relations – Legalizations.

I, the undersigned, MARÍA LUISA GÓMEZ MAQUEO ROJAS, Expert Translator, declare that I have been familiar with the English language for approximately 17 years, and hereby certify that, to the best of my knowledge and belief, the foregoing is a faithful, complete and correct translation of the attached document drawn up in the Spanish language.

Mexico City, F.D., August 21, 1996.

Quarterly Amortization Schedule

<u>Payment Date</u>	<u>Quarterly Amortization Amount</u>	<u>Remaining Principal Balance</u>
August 25, 2005	US\$ -	US\$ 150,000,000
November 25, 2005	-	150,000,000
February 25, 2006	-	150,000,000
May 25, 2006	-	150,000,000
August 25, 2006	-	150,000,000
November 25, 2006	-	150,000,000
February 25, 2007	-	150,000,000
May 25, 2007	-	150,000,000
August 25, 2007	-	150,000,000
November 25, 2007	-	150,000,000
February 25, 2008	-	150,000,000
May 25, 2008	-	150,000,000
August 25, 2008	720,895	149,279,105
November 25, 2008	988,314	148,290,791
February 25, 2009	870,946	147,419,845
May 25, 2009	354,348	147,065,497
August 25, 2009	700,401	146,365,095
November 25, 2009	918,342	145,446,753
February 25, 2010	859,036	144,587,717
May 25, 2010	510,327	144,077,390
August 25, 2010	969,486	143,107,904
November 25, 2010	1,229,174	141,878,730
February 25, 2011	1,131,172	140,747,559
May 25, 2011	688,180	140,059,379
August 25, 2011	1,135,204	138,924,175
November 25, 2011	1,432,797	137,491,377
February 25, 2012	1,310,887	136,180,490
May 25, 2012	830,739	135,349,751
August 25, 2012	1,322,883	134,026,868
November 25, 2012	1,597,618	132,429,250
February 25, 2013	1,516,346	130,912,904
May 25, 2013	1,047,681	129,865,223
August 25, 2013	1,460,841	128,404,382
November 25, 2013	1,741,964	126,662,418
February 25, 2014	1,659,312	125,003,107
May 25, 2014	1,184,203	123,818,903
August 25, 2014	1,636,133	122,182,770
November 25, 2014	1,923,248	120,259,522
February 25, 2015	1,795,209	118,464,314
May 25, 2015	1,296,460	117,167,854

Payment Date	Quarterly Amortization Amount		Remaining Principal Balance	
August 25, 2015	US\$	1,779,960	US\$	115,387,894
November 25, 2015		2,093,782		113,294,111
February 25, 2016		2,013,488		111,280,623
May 25, 2016		1,543,883		109,736,741
August 25, 2016		2,023,276		107,713,465
November 25, 2016		2,330,189		105,383,276
February 25, 2017		2,263,546		103,119,730
May 25, 2017		1,790,298		101,329,432
August 25, 2017		2,248,758		99,080,674
November 25, 2017		2,582,038		96,498,636
February 25, 2018		2,522,337		93,976,299
May 25, 2018		2,052,278		91,924,022
August 25, 2018		2,511,864		89,412,158
November 25, 2018		2,831,408		86,580,749
February 25, 2019		2,742,945		83,837,804
May 25, 2019		2,182,240		81,655,564
August 25, 2019		2,595,432		79,060,133
November 25, 2019		2,894,814		76,165,319
February 25, 2020		2,826,507		73,338,812
May 25, 2020		2,359,586		70,979,226
August 25, 2020		2,937,007		68,042,219
November 25, 2020		3,302,557		64,739,661
February 25, 2021		3,250,903		61,488,759
May 25, 2021		2,756,975		58,731,783
August 25, 2021		3,237,860		55,493,924
November 25, 2021		3,582,667		51,911,257
February 25, 2022		3,516,562		48,394,694
May 25, 2022		2,976,877		45,417,817
August 25, 2022		3,449,117		41,968,700
November 25, 2022		3,799,428		38,169,272
February 25, 2023		3,720,450		34,448,822
May 25, 2023		3,155,894		31,292,928
August 25, 2023		3,668,814		27,624,115
November 25, 2023		4,064,214		23,559,900
February 25, 2024		3,968,449		19,591,451
May 25, 2024		3,394,071		16,197,380
August 25, 2024		3,966,774		12,230,606
November 25, 2024		4,330,068		7,900,538
February 25, 2025		4,226,774		3,673,764
May 25, 2025		3,673,764		-

THE ISSUER AND LOCAL TRUSTEE

BG Trust, Inc., in its capacity as Local Trustee
c/o BG Trust, Inc.
Calle Aquilino de la Guardia con Avenida Quinta B Sur
Apartado 4592
Panama 5, Republic of Panama

INITIAL PURCHASER

Merrill Lynch Pierce, Fenner & Smith Incorporated
World Financial Center, North Tower
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New York, NY 10080

INDEPENDENT AUDITORS

Deloitte, Inc. (Panamá)
Contadores Públicos Autorizados
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Panama 5, Republic of Panama

LOCAL BROKER

BG Investment Co., Inc.
Calle Aquilino de la Guardia con Avenida Quinta B Sur
Apartado 4592
Panama 5, Republic of Panama

**INDENTURE TRUSTEE, SECURITY REGISTRAR,
PAYING AGENT AND TRANSFER AGENT**

The Bank of New York
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New York, NY 10286

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Panama, Republic of Panama

PANAMA STOCK EXCHANGE

Bolsa de Valores de Panamá, S.A.
PO Box 87-0878, Zone 7
Panama 7, Republic of Panama

US\$150,000,000



CORREDOR SUR TRUST

6.95% Notes due 2025

OFFERING MEMORANDUM

Merrill Lynch & Co.

May 17, 2005
