PLUG POWER INC
Form 424B5
July 28, 2005
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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-117358

SUBJECT TO COMPLETION, DATED JULY 28, 2005

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 2, 2004)

11,000,000 Shares

Common Stock

$ per share

We are selling 11,000,000 shares of our common stock. We have granted the underwriters an option to purchase up to 1,650,000 additional shares of common stock to cover over-allotments.

Our common stock is quoted on the Nasdaq National Market under the symbol PLUG. The last reported sale price of our common stock as reported on July 27, 2005 was $7.09 per share.

Investing in our common stock involves risks. See **Risk Factors beginning on page S-6.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Plug Power Inc. (before expenses)	$	$

The underwriters expect to deliver the shares to purchasers on or about , 2005.

Sole Book-Runner

Citigroup

Stephens Inc.

, 2005

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters are not, offering to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, including the documents incorporated herein by reference, is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

We provide information to you about this offering of shares of our common stock in two separate documents: (a) this prospectus supplement, which describes the specific details regarding this offering, and (b) the accompanying prospectus, which provides general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both documents combined. This prospectus supplement may add to, update or change information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with the accompanying prospectus, this prospectus supplement will apply and supersede the information in the accompanying prospectus. It is important for you to read and carefully consider all information contained in this prospectus supplement and the accompanying prospectus. You should also read and carefully consider the information in the documents we have referred you to in Documents Incorporated by Reference.

Information that we file with the Securities and Exchange Commission, or SEC, subsequent to the date of this prospectus supplement will automatically update and supersede the information contained in this prospectus supplement and the accompanying prospectus. We incorporate by reference the documents listed in the accompanying prospectus and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until we issue all of the securities offered pursuant to this prospectus supplement and the accompanying prospectus. See Where You Can Find Additional Information in the accompanying prospectus.

Unless the context otherwise requires, all references to we, us, our, our Company, Plug Power, or similar expressions in this prospectus supplement refer collectively to Plug Power Inc., a Delaware corporation, and its subsidiaries, and their respective predecessor entities for the applicable periods, considered as a single enterprise.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary does not contain all the information that you should consider before making an investment decision. You should read this entire prospectus supplement, the accompanying prospectus, including the Risk Factors section, and the documents incorporated by reference carefully before deciding whether to invest in our common stock.

Our Company

We are a development stage enterprise involved in the design, development, manufacture and sale of on-site energy systems for commercial and residential energy consumers worldwide. We are focused on a platform-based systems architecture, which includes proton exchange membrane (PEM) fuel cell and fuel processing technologies, from which we are offering or developing multiple products. A fuel cell is an electrochemical device that combines hydrogen and oxygen to produce electric power without combustion. Hydrogen is derived from hydrocarbon fuels such as natural gas, propane, methanol or gasoline and can also be obtained from the electrolysis of water, stored hydrogen or a hydrogen pipeline.

Since 2001, we have installed over 550 systems worldwide. Our prime power systems have produced approximately 5.3 million kilowatt hours of electricity and have accumulated over two million operating hours. Our intermittent, or back-up, power products have been deployed with 17 telecommunications carriers and utility customers in North and South America, Europe, the United Kingdom, Japan and South Africa.

We are currently offering our GenCore® product for commercial sale. Our GenCore® product is a back-up power product designed for telecommunications, broadband, utility and industrial uninterruptible power supply (UPS) applications. It is fueled by hydrogen and provides back-up power in a power range of 1-12 kilowatts. We are also developing additional products for continuous run power applications and an on-site hydrogen generation product. We expect to begin field testing of the next generation GenSys®, our continuous run product, in 2005.

Market Opportunities

Clean Edge Consulting, a research and strategy firm for emerging clean energy markets, estimates that the market for clean and reliable on-site energy, including renewable sources and fuel cells, could grow to more than $100 billion globally by 2014, from an estimated $16 billion in 2004. We believe a significant market opportunity for our fuel cell technology, and specifically our GenCore® product, is the reserve power lead-acid battery market. Frost and Sullivan, a provider of market consulting information and research on emerging high-technology and industrial markets, estimates that the global market for reserve power lead-acid batteries is $1.5 billion.

Our next generation continuous run product, GenSys®, is targeted for small off-grid commercial and residential applications. Based on our market research and estimates from industry sources such as In-Stat, a provider of research, assessments and market forecasts of semiconductors and advanced communications equipment and services, we believe the U.S. market for our GenSys® product is between 150,000 180,000 systems and the international market is equal to or greater in size than the U.S. market. GE Fuel Cell Systems, LLC (GEFCS) and DTE Energy Technologies, Inc. (DTE) currently hold exclusive distribution rights to our GenSys® product.

Commercialization

We believe our GenCore® product, introduced in late 2003, offers a reliable and economically viable fuel cell product to the back-up power market. We currently have four distributors that market, sell and service our GenCore® product in the U.S., including Tyco Electronics Power Systems Inc. (Tyco), and seven other distributors internationally. In the fourth quarter of 2003, we began initial shipments of our GenCore® 5T product and have shipped 152 units through June 30, 2005. We expect to triple the number of GenCore® orders we receive in 2005 to approximately 300 systems.

On July 15, 2005, we announced an order for 63 of our GenCore® back-up fuel cell systems from Tyco, which we believe to be one of the largest commercial orders for back-up fuel cell systems. Tyco sold the systems to a leading U.S.-based telecommunications provider for integration into its network during the next few months. The GenCore® systems will be co-branded with both the Tyco and Plug Power names, marking the first time that a Plug Power product has been sold under another brand. Tyco is promoting our GenCore® product as a robust energy solution for critical telecom infrastructures and has said that fuel cell systems offer a cost effective solution to telecommunication providers seeking reliable extended outage protection. On July 25, 2005 and July 27, 2005, we announced orders from Tyco for an additional 35 and 18 units, respectively, bringing the total order from Tyco to 116 systems.

On June 16, 2005, we announced the sale of 12 GenCore® systems to the Florida Department of Environmental Protection, marking the first commercial purchase of the GenCore® product by a state agency. This sale allows us to offer our GenCore® product to all Florida state agencies. We were chosen for our ability to deliver a total fuel cell system solution that includes training, service, hydrogen delivery, and a system durable enough to endure extreme weather conditions.

We have consistently pursued government entities as customers for our GenCore® product. We are now on the approved purchase list of various state and federal agencies, including New York, Texas and the U.S. General Services Administration, allowing us to sell the GenCore® system to purchasing managers directly. On July 21, 2005, we received a $943,000 contract extension from the Department of Defense to fund field testing for GenSys®, our next generation continuous run product. Under this contract extension, 10 GenSys® systems will be installed at Robins Air Force Base and will be tested for reliability and suitability for use on military bases.

Products

We are focused on a fuel cell technology platform from which we believe we can offer multiple products and achieve the shortest path to commercial success. Products commercially available or under development include:

GenCore®: Provides back-up power in a range of 1-12 kilowatts for applications in the telecommunications, broadband, utility and industrial UPS markets. We have been offering this product commercially since 2003.

GenSys®: Provides remote continuous power for light commercial and residential applications. We have built a number of verification systems and expect to begin field testing later this year.

Home Energy Station: Provides electricity and heat to a home or business, while also providing hydrogen fuel for a fuel cell vehicle. Pursuant to an exclusive agreement with Honda Research and Development Co. Ltd. of Japan (Honda), we are entering Phase III development of a third generation home energy station prototype.

We also continue to develop our GenSite product, which supplies on-site hydrogen, and our GenDrive product, which provides battery replacement for material handling equipment.

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Strategic Relationships

In connection with building an extended enterprise, we have formed strategic relationships with well-established companies through distribution, marketing, technology, supply and product development arrangements. Our sales and marketing strategy is based on relationships with leading distributors who have established relationships and sub-distributor networks including GE Fuel Cell Systems, Tyco, DTE and other domestic and international partners who distribute and service our products in specific geographic or market segments. We have also partnered with companies such as Vaillant, Pemeas and Engelhard, and have recently entered into an additional agreement with Honda, in connection with research and development of future products.

Strategy

We believe we can continue to have a competitive advantage and be an industry leader in the development and commercialization of clean, reliable on-site energy by:

- Aggressively accelerating commercialization by targeting large, near-term markets with our initial GenCore® commercial product, while positioning our future products to address longer-term mass market applications;
- Focusing on reliability improvements and cost reductions;
  - We expect to reduce GenCore® direct materials cost by 25% in 2005 in order to be more cost competitive compared to other alternatives;
- Leveraging key strategic relationships with General Electric Company (GE), Honda, Tyco, Vaillant and others to facilitate product development and cost reduction in next generation product lines and to expand into broader market applications; and
- Capitalizing on state, federal and international incentives and potential federal energy policy changes, including the 2005 Energy Bill currently under review.

Competitive Advantages

Our product development activities have been focused on creating a system architecture utilizing PEM technology for a range of applications. We believe this gives us a competitive advantage that will enable us to leverage our experience to broaden our future product offerings. We believe our competitive advantages include:

- One of the first commercially available fuel cell products for the telecommunication industry (traditional, wireless, and broadband) and electric utilities, which has:

Remote diagnostic capabilities;

Cost efficient life cycle compared to batteries and generators; and

Environmental durability in extreme conditions.

A focus on product cost reduction;

More field experience than other industry participants, with more than 550 systems worldwide, accumulating over 2 million operating hours and generating over 5 million kilowatt hours of electricity;

Longstanding key strategic partnerships with well established companies related to distribution and product development;

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- Relationships with key supply chain partners including 3M Company (3M), Engelhard Corporation (Engelhard), Parker Hannifin Corporation (Parker Hannifin) and Dana Corporation (Dana);

- Lean manufacturing processes, designed to efficiently allow for flexibility for an expanding product portfolio;

- A focus on attaining quality certifications, including NEBS, UL and others, providing a first-mover advantage;

- Strong service, training and standardized installation materials to support the requirements of the major telecommunications carriers;

- A sizable technology position with an intellectual property portfolio consisting of 137 patents issued and 159 patents pending; and

- An experienced and committed management team in place since 2001.

General Information

We are a Delaware corporation. Our principal office is located at 968 Albany-Shaker Road, Latham, New York 12110 and our telephone number is (518) 782-7700. We maintain our corporate website at *www.plugpower.com*. Our website and the information contained on that website, or connected to that site, are not incorporated into this prospectus supplement or the accompanying prospectus, and you should not rely on any such information in making your decision whether to purchase shares of our common stock.

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The Offering

Common stock offered by us	11,000,000 shares
Common stock to be outstanding after this offering	84,610,841 shares
Use of proceeds	We intend to use the net proceeds from this offering for working capital purposes, funds for operations, capital expenditures, research and product development, potential future acquisitions and other general corporate purposes. See Use of Proceeds.
Nasdaq National Market symbol	PLUG

The number of shares of common stock to be outstanding after this offering is based upon 73,610,841 shares outstanding as of June 30, 2005. This calculation:

- excludes 877,364 shares of common stock reserved for issuance upon the exercise of options which we have granted and which are outstanding on June 30, 2005 under our 1997 Stock Option Plan, of which 877,364 are currently exercisable.
- excludes 4,559,412 shares of common stock reserved for issuance upon the exercise of options which we have granted and which are outstanding on June 30, 2005 under our 1999 Stock Option Plan, of which 3,295,583 are currently exercisable.
- excludes 3,006,218 shares of common stock, plus annual increases, reserved for future issuance under our 1999 Stock Option Plan.
- excludes 1,650,000 shares of common stock issuable by us upon the exercise of the underwriters over-allotment option.

Unless we indicate otherwise, all information contained in this prospectus supplement assumes that the underwriters have not exercised their over-allotment option.

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the following risks before investing in shares of our common stock. You should also refer to and consider all of the information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus. If any of the events contemplated by the following actually occur, then our business, prospects, financial condition or results of operations could be materially adversely affected. As a result of these and other factors, the value of our common stock could decline, and you may lose all or part of your investment.

We may never complete the research and development of certain commercially viable on-site energy products.

We are a development stage company. Other than our GenCore® product, which we believe to be commercially viable, we do not know when or whether we will successfully complete research and development of other commercially viable on-site energy products. If we are unable to develop additional commercially viable on-site energy products, we will not be able to generate sufficient revenue to become profitable. The commercialization of our products depends on our ability to reduce the costs of our components and subsystems and we cannot assure you that we will be able to sufficiently reduce these costs. In addition, the commercialization of our products requires achievement and verification of their overall reliability, efficiency and safety targets and we cannot assure you that we will be able to develop, acquire or license the technology necessary to achieve these targets. Although we have sold a limited number of our initial products, including our GenCore® product, we must complete substantial additional research and development before we will be able to manufacture commercially viable products, other than our GenCore® product, in commercial quantities. In addition, while we are conducting tests to predict the overall life of our products, we may not have run our products over their projected useful life prior to large-scale commercialization. As a result, we cannot be sure that our products will last as long as predicted, resulting in possible warranty claims and commercial failures.

We have incurred losses and anticipate continued losses for at least the next several years.

As of June 30, 2005 we had an accumulated deficit of $378.8 million. We have not achieved profitability in any quarter since our formation and expect to continue to incur net losses until we can produce sufficient revenue to cover our costs, which is not expected to occur for at least the next several years. We anticipate that we will continue to incur losses until we can produce and sell our products on a large-scale and cost-effective basis. However, we cannot predict when we will operate profitably, if ever. Even if we do achieve profitability, we may be unable to sustain or increase our profitability in the future.

We have only been in business for a short time, and your basis for evaluating Plug Power is limited.

We were formed in June 1997 to further the research and development of stationary fuel cell systems. While we delivered our initial product in the third quarter of 2001 and our initial GenCore® unit in the fourth quarter of 2003, we do not expect to be profitable for at least the next several years. Accordingly, there is only a limited basis upon which you can evaluate our business and prospects. Before investing in our common stock, you should consider the challenges, expenses and difficulties that we will face as a development stage company seeking to develop and manufacture new products.

A viable market for our products may never develop or may take longer to develop than we anticipate.

Our on-site energy products represent an emerging market, and we do not know the extent to which our targeted distributors and resellers will want to purchase them and whether end-users will want to use them. If a viable market fails to develop or develops more slowly than we anticipate, we may be unable to recover the losses we will have incurred to develop our products and may be unable to achieve profitability. The development of a viable market for our products may be impacted by many factors which are out of our control, including:

- the cost competitiveness of our products;
- the future costs of natural gas, propane, hydrogen and other fuels expected to be used by our products;

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- consumer reluctance to try a new product;
- consumer perceptions of our products safety;
- regulatory requirements;
- barriers to entry created by existing energy providers; and
- the emergence of newer, more competitive technologies and products.

We have no experience manufacturing our products on a large-scale commercial basis and may be unable to do so.

To date, we have focused primarily on research, development and low volume manufacturing and have no experience manufacturing our products on a large-scale commercial basis. In 2000, we completed construction of our 50,000 square foot manufacturing facility, and have continued to develop our manufacturing capabilities and processes. We do not know whether or when we will be able to develop efficient, low-cost manufacturing capabilities and processes that will enable us to manufacture our products in commercial quantities while meeting the quality, price, engineering, design and production standards required to successfully market our products. Our failure to develop such manufacturing processes and capabilities could have a material adverse effect on our business, financial condition and results of operations. Even if we are successful in developing our manufacturing capabilities and processes, we do not know whether we will do so in time to meet our product commercialization schedule or to satisfy the requirements of our distributors or customers.

We have not fully developed and produced certain products that we have agreed to sell to GE Fuel Cell Systems.

Our distribution agreement with GE Fuel Cell Systems (GEFCS) has been amended on a number of occasions, most recently in April 2005. The amendments to our distribution agreement provide for the ability to sell directly or negotiate nonexclusive distribution rights to third parties for our GenCore® back-up power product line, our GenSite hydrogen generation product line and our GenSys® prime power product line (for telecommunication and broadband applications). In exchange, starting in the fourth quarter of 2005 we have agreed to pay a 5% commission for GenCore®, and starting in the fourth quarter of 2005 we have agreed to pay a 5% commission of GenSite, in each case based on sales price, to GEFCS. We have also agreed to pay a 5% commission for GenSys® beginning in the fourth quarter of 2006. The distribution agreement expires on December 31, 2014.

We have not developed certain products that meet all specifications required by the multi-generation product plan. There can be no assurance that we will complete development of products meeting specifications required by GEFCS and deliver them on schedule. Pursuant to the distribution agreement, GEFCS has the right to provide notice to us if, in its good faith judgment, we have materially deviated from the multi-generation product plan. Should GEFCS provide such notice, and we cannot mutually agree to a modification to the multi-generation product plan, then GEFCS has the right to terminate the distribution agreement for cause, subject to our rights to cure. In addition, GEFCS has the right to terminate the distribution agreement for cause if we fail to provide GEFCS with products that, in GEFCS reasonable judgment, are materially competitive with alternative PEM fuel cell-powered generator sets, subject to our rights to cure.

GE Energy, the operating business of General Electric Company, which controls GEFCS through GE MicroGen, Inc., has agreed not to sell or distribute PEM fuel cell systems and related components manufactured by parties other than us through any entity other than GEFCS. GE Energy is not, however, prohibited from developing non-PEM fuel cell systems and other distributed energy systems and products that would compete directly or indirectly against our PEM fuel cell systems or other products we may manufacture. GE Energy is not required to provide us with any information concerning the developments of such products, or plans or intentions to manufacture such products by GE Energy. The development of different energy product solutions by GE Energy could harm the marketability of our technology by providing potential customers with an alternative to our products.

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Delays in our product development would have a material impact on our commercialization schedule.

If we experience delays in meeting our development goals or if our products exhibit technical defects or if we are unable to meet cost or performance goals, including power output, useful life and reliability, our commercialization schedule will be delayed. In this event, potential purchasers of our products may choose alternative technologies and any delays could allow potential competitors to gain market advantages. We cannot assure you that we will successfully meet our commercialization schedule in the future.

We may need to secure additional funding to complete our product development and commercialization plans and we may be unable to raise additional capital.

Our cash requirements depend on numerous factors, including completion of our product development activities, ability to commercialize our products and market acceptance of our products. We expect to devote substantial capital resources to continue development programs, establish a manufacturing infrastructure and develop manufacturing processes. Additionally, we expect to devote substantial capital resources to expand our marketing organization and establish a sales organization. We may need to raise additional funds to achieve commercialization of our products. However, we do not know whether we will be able to secure additional funding, or funding on acceptable terms, to pursue our commercialization plans. If additional funds are raised through the issuance of equity securities, the percentage ownership of our then current stockholders will be reduced. If adequate funds are not available to satisfy either short-term or long-term capital requirements, we may be required to limit operations in a manner inconsistent with our development and commercialization plans, which could affect operations in future periods.

We may be unable to establish relationships, or we may lose existing relationships, with third parties for certain aspects of product development, manufacturing, distribution and servicing and the supply of key components for our products.

We will need to enter into additional strategic relationships in order to complete our current product development and commercialization plans. We will also require partners to assist in the distribution, servicing and supply of components for our anticipated back-up power and on-site hydrogen generation products, both of which are in development. If we are unable to identify or enter into satisfactory agreements with potential partners, including those relating to the distribution of and service and support for our anticipated back-up power and on-site hydrogen generation products, we may not be able to complete our product development and commercialization plans on schedule or at all. We may also need to scale back these plans in the absence of needed partners, which would adversely affect our future prospects for development and commercialization of future products. In addition, any arrangement with a strategic partner may require us to issue a significant amount of equity securities to the partner, provide the partner with representation on our board of directors and/or commit significant financial resources to fund our product development efforts in exchange for their assistance or the contribution to us of intellectual property. Any such issuance of equity securities would reduce the percentage ownership of our then current stockholders. While we have entered into relationships with suppliers of some key components for our products, we do not know when or whether we will secure supply relationships for all required components and subsystems for our products, or whether such relationships will be on terms that will allow us to achieve our objectives. Our business, prospects, results of operations and financial condition could be harmed if we fail to secure relationships with entities which can develop or supply the required components for our products and provide the required distribution and servicing support. Additionally, the agreements governing our current relationships allow for termination by our partners under certain circumstances. If any of our current strategic partners was to terminate any of its agreements with us, there could be a material adverse impact on the development and commercialization of our products and the operation of our business, financial condition, results of operations and prospects.

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We will rely on our partners to develop and provide components for our products.

A supplier s failure to develop and supply components in a timely manner or at all, or to develop or supply components that meet our quality, quantity or cost requirements, or our inability to obtain substitute sources of these components on a timely basis or on terms acceptable to us, could harm our ability to manufacture our products. In addition, to the extent that our supply partners use technology or manufacturing processes that are proprietary, we may be unable to obtain comparable components from alternative sources.

We face intense competition and may be unable to compete successfully.

The markets for on-site energy products are intensely competitive. There are a number of companies located in the United States, Canada and abroad that are developing PEM and other fuel cell technologies and energy products that compete with our products. Some of our competitors in the fuel cell sector are much larger than we are and may have the manufacturing, marketing and sales capabilities to complete research, development and commercialization of commercially viable fuel cell products more quickly and effectively than we can.

In addition, there are many companies engaged in all areas of traditional and alternative energy generation in the United States, Canada and abroad, including, among others, major electric, oil, chemical, natural gas, batteries, generators and specialized electronics firms, as well as universities, research institutions and foreign government-sponsored companies. These firms are engaged in forms of power generation such as solar and wind power, reciprocating engines and microturbines, as well as traditional grid-supplied electric power. Many of these entities have substantially greater financial, research and development, manufacturing and marketing resources than we do.

We must lower the cost of our products and demonstrate their reliability.

Our initial fuel cell systems currently cost significantly more than many established competing technologies. If we are unable to develop products that are competitive with competing technologies in terms of price, reliability and longevity, consumers will be unlikely to buy our products. The price of our products depends largely on material and manufacturing costs. We cannot guarantee that we will be able to lower these costs to the level where we will be able to produce a competitive product or that any product produced using lower cost materials and manufacturing processes will not suffer from a reduction in performance, reliability and longevity.

Failure of our field tests could negatively impact demand for our products.

We are currently field-testing a number of our products and we plan to conduct additional field tests in the future. We may encounter problems and delays during these field tests for a number of reasons, including the failure of our technology or the technology of third parties, as well as our failure to maintain and service our products properly. Many of these potential problems and delays are beyond our control. Any problem or perceived problem with our field tests could materially harm our reputation and impair market acceptance of, and demand for, our products.

Further regulatory changes and electric utility industry restructuring may affect demand for our products.

The market for electric power generation products is heavily influenced by federal and state governmental regulations and policies concerning the electric utility industry. A change in the current regulatory policies could deter further investment in the research and development of alternative energy sources, including fuel cells, and could result in a significant reduction in the demand for our products. We cannot predict how deregulation or restructuring of the industry will affect the market for our products.

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Our business may become subject to future government regulation, which may impact our ability to market our products.

Our products will be subject to federal, local, and non-U.S. laws and regulations, including, for example, state and local ordinances relating to building codes, public safety, electrical and gas pipeline connections, hydrogen transportation and siting and related matters. Further, as products are introduced into the market commercially, governments may impose new regulations. We do not know the extent to which any such regulations may impact our ability to distribute, install and service our products. Any regulation of our products, whether at the federal, state, local or foreign level, including any regulations relating to installation and servicing of our products, may increase our costs and the price of our products.

Utility companies could place barriers on our entry into the marketplace where customers depend on traditional grid supplied energy.

Utility companies often charge fees to industrial companies for disconnecting from the grid, for using less electricity or for having the capacity to use power from the grid for back-up purposes, and may charge similar fees to residential customers in the future. The imposition of such fees could increase the cost to grid-connected customers of using our products and could make our products less desirable, thereby harming our revenue and profitability.

Alternatives to our technology or improvements to traditional energy technologies could make our products less attractive or render them obsolete.

Our products are among a number of alternative energy products being developed. A significant amount of public and private funding is currently directed toward development of microturbines, solar power, wind power and other types of fuel cell technologies. Improvements are also being made to the existing electric transmission system. Technological advances in alternative energy products, improvements in the electric power grid or other fuel cell technologies may make our products less attractive or render them obsolete.

The hydrocarbon fuels and other raw materials on which our products rely may not be readily available or available on a cost-effective basis.

Our products depend largely on the availability of natural gas, liquid propane and hydrogen gas. If these fuels are not readily available, or if their prices are such that energy produced by our products costs more than energy provided by other sources, our products could be less attractive to potential users.

In addition, platinum is a key material in our PEM fuel cells. Platinum is a scarce natural resource and we are dependent upon a sufficient supply of this commodity. Any shortages could adversely affect our ability to produce commercially viable fuel cell systems and significantly raise our cost of producing our fuel cell systems.

Our products use flammable fuels that are inherently dangerous substances.

Our fuel cell systems use natural gas, liquid propane and hydrogen gas in catalytic reactions, which produce less heat than a typical gas furnace. While our products do not use this fuel in a combustion process, natural gas, liquid propane and hydrogen gas are flammable fuels that could leak in a home or office and combust if ignited by another source. Further, while we are not aware of any accidents involving our products, any such accidents involving our products or other products using similar flammable fuels could materially suppress demand for, or heighten regulatory scrutiny of, our products.

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Product liability or defects could negatively impact our results of operations.

Any liability for damages resulting from malfunctions or design defects could be substantial and could materially adversely affect our business, financial condition, results of operations and prospects. In addition, a well-publicized actual or perceived problem could adversely affect the market s perception of our products resulting in a decline in demand for our products and could divert the attention of our management, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Future acquisitions may disrupt our business, distract our management and reduce the percentage ownership of our stockholders.

As part of our business strategy we may engage in acquisitions that we believe will provide us with complementary technologies, products, channels, expertise and/or other valuable assets. However, we may not be able to identify suitable acquisition candidates. If we do identify suitable candidates, we may not be able to acquire them on commercially acceptable terms or at all. If we acquire another company, we may not be able to successfully integrate the acquired business into our existing business in a timely and non-disruptive manner. We may have to devote a significant amount of time and management and financial resources to do so. Even with this investment of management and financial resources, an acquisition may not produce the desired revenues, earnings or business synergies. In addition, an acquisition may reduce the percentage ownership of our then current stockholders. If we fail to integrate the acquired business effectively or if key employees of that business leave, the anticipated benefits of the acquisition would be jeopardized. The time, capital and management and other resources spent on an acquisition that fails to meet our expectations could cause our business and financial condition to be materially and adversely affected. In addition, from an accounting perspective, acquisitions can involve non-recurring charges and amortization of significant amounts of intangible assets that could adversely affect our results of operations.

We may not be able to protect important intellectual property and we could incur substantial costs defending against claims that our products infringe on the proprietary rights of others.

PEM fuel cell technology was first developed in the 1950s, and fuel processing technology has been practiced on a large scale in the petrochemical industry for decades. Accordingly, we do not believe that we can establish a significant proprietary position in the fundamental component technologies in these areas. However, our ability to compete effectively will depend, in part, on our ability to protect our proprietary system-level technologies, systems designs and manufacturing processes. We rely on patents, trademarks, and other policies and procedures related to confidentiality to protect our intellectual property. However, some of our intellectual property is not covered by any patent or patent application. Moreover, we do not know whether any of our pending patent applications will issue or, in the case of patents issued or to be issued, that the claims allowed are or will be sufficiently broad to protect our technology or processes. Even if all of our patent applications are issued and are sufficiently broad, our patents may be challenged or invalidated. We could incur substantial costs in prosecuting or defending patent infringement suits or otherwise protecting our intellectual property rights. While we have attempted to safeguard and maintain our proprietary rights, we do not know whether we have been or will be completely successful in doing so. Moreover, patent applications filed in foreign countries may be subject to laws, rules and procedures that are substantially different from those of the United States, and any resulting foreign patents may be difficult and expensive to enforce. In addition, we do not know whether the U.S. Patent & Trademark Office will grant federal registrations based on our pending trademark applications. Even if federal registrations are granted to us, our trademark rights may be challenged. It is also possible that our competitors or others will adopt trademarks similar to ours, thus impeding our ability to build brand identity and possibly leading to customer confusion. We could incur substantial costs in prosecuting or defending trademark infringement suits.

Further, our competitors may independently develop or patent technologies or processes that are substantially equivalent or superior to ours. If we are found to be infringing third party patents, we could be

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required to pay substantial royalties and/or damages, and we do not know whether we will be able to obtain licenses to use such patents on acceptable terms, if at all. Failure to obtain needed licenses could delay or prevent the development, manufacture or sale of our products, and could necessitate the expenditure of significant resources to develop or acquire non-infringing intellectual property.

Asserting, defending and maintaining our intellectual property rights could be difficult and costly and failure to do so may diminish our ability to compete effectively and may harm our operating results. We may need to pursue lawsuits or legal action in the future to enforce our intellectual property rights, to protect our trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. If third parties prepare and file applications for trademarks used or registered by us, we may oppose those applications and be required to participate in proceedings to determine the priority of rights to the trademark. Similarly, competitors may have filed applications for patents, may have received patents and may obtain additional patents and proprietary rights relating to products or technology that block or compete with ours. We may have to participate in interference proceedings to determine the priority of invention and the right to a patent for the technology. Litigation and interference proceedings, even if they are successful, are expensive to pursue and time consuming, and we could use a substantial amount of our financial resources in either case.

We rely, in part, on contractual provisions to protect our trade secrets and proprietary knowledge.

Confidentiality agreements to which we are party may be breached, and we may not have adequate remedies for any breach. Our trade secrets may also be known without breach of such agreements or may be independently developed by competitors. Our inability to maintain the proprietary nature of our technology and processes could allow our competitors to limit or eliminate any competitive advantages we may have.

We may have difficulty managing change in our operations.

We continue to undergo rapid change in the scope and breadth of our operations as we advance the development of our products. Such rapid change is likely to place a significant strain on our senior management team and other resources. We will be required to make significant investments in our engineering, logistics, financial and management information systems and to motivate and effectively manage our employees. Our business, prospects, results of operations and financial condition could be harmed if we encounter difficulties in effectively managing the budgeting, forecasting and other process control issues presented by such a rapid change.

We face risks associated with our plans to market, distribute and service our products internationally.

We intend to market, distribute and service our products internationally. We have limited experience developing and no experience manufacturing our products to comply with the commercial and legal requirements of international markets. Our success in international markets will depend, in part, on our ability and that of our partners to secure relationships with foreign sub-distributors, and our ability to manufacture products that meet foreign regulatory and commercial requirements. Additionally, our planned international operations are subject to other inherent risks, including potential difficulties in enforcing contractual obligations and intellectual property rights in foreign countries and fluctuations in currency exchange rates.

Our government contracts could restrict our ability to effectively commercialize our technology.

Some of our technology has been developed under government funding by the United States and by other countries. The United States government has a non-exclusive, royalty-free, irrevocable world-wide license to practice or have practiced any of our technology developed under contracts funded by the government. In some cases, government agencies in the United States can require us to obtain or produce components for our systems from sources located in the United States rather than foreign countries. Our contracts with government agencies

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are also subject to the risk of termination at the convenience of the contracting agency, potential disclosure of our confidential information to third parties and the exercise of march-in rights by the government. March-in rights refer to the right of the United States government or government agency to license to others any technology developed under contracts funded by the government if the contractor fails to continue to develop the technology. The implementation of restrictions on our sourcing of components or the exercise of march-in rights could harm our business, prospects, results of operations and financial condition. In addition, under the Freedom of Information Act, any documents that we have submitted to the government or to a contractor under a government funding arrangement are subject to public disclosure that could compromise our intellectual property rights unless such documents are exempted as trade secrets or as confidential information and treated accordingly by such government agencies.

Our future plans could be harmed if we are unable to attract or retain key personnel.

We have attracted a highly skilled management team and specialized workforce, including scientists, engineers, researchers and manufacturing, marketing and sales professionals. Our future success will depend, in part, on our ability to attract and retain qualified management and technical personnel. We do not know whether we will be successful in hiring or retaining qualified personnel. Our inability to hire qualified personnel on a timely basis, or the departure of key employees, could materially and adversely affect our development and commercialization plans and, therefore, our business, prospects, results of operations and financial condition.

GE MicroGen, Inc. and DTE Energy Technologies, Inc. have representatives on our board of directors.

Under our agreement with GEMI, we are required to use our best efforts to cause one individual nominated by GE Energy, an operating business of General Electric Company, to be elected to our board of directors for as long as our distribution agreement with GEFCS remains in effect. Currently, Richard R. Stewart serves on our board of directors as GE Energy s nominee. In addition, a current employee of DTE, Anthony F. Earley, Jr., and a former employee of DTE, Larry G. Garberding, currently serve on our board of directors. Both GEFCS and DTE have entered into distribution agreements with us.

Provisions in our charter documents and Delaware law may prevent or delay an acquisition of us, which could decrease the value of our common stock.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. These provisions include those that:

- authorize the issuance of up to 5,000,000 shares of preferred stock in one or more series without a stockholder vote;
- limit stockholders ability to call special meetings;
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and

provide for staggered terms for our directors.

In addition, in certain circumstances, Delaware law also imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock.

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Our stock price has been and could remain volatile.

The market price of our common stock has historically experienced and may continue to experience significant volatility. Since our initial public offering in October 1999, the market price of our common stock has fluctuated from a high of $156.50 per share in the first quarter of 2000 to a low of $3.39 per share in the fourth quarter of 2002. Our progress in developing and commercializing our products, our quarterly operating results, announcements of new products by us or our competitors, our perceived prospects, changes in securities analysts recommendations or earnings estimates, changes in general conditions in the economy or the financial markets, adverse events related to our strategic relationships, significant sales of our common stock by existing stockholders including one or more of our strategic partners and other developments affecting us or our competitors could cause the market price of our common stock to fluctuate substantially. In addition, in recent years, the stock market, and in particular the market for technology-related stocks, has experienced significant price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. In addition, we may be subject to additional securities class action litigation as a result of volatility in the price of our common stock, which could result in substantial costs and diversion of management s attention and resources and could harm our stock price, business, prospects, results of operations and financial condition.

Our failure to comply with Nasdaq s listing standards could result in the delisting of our common stock by Nasdaq from the Nasdaq National Market and severely limit the ability to sell our common stock.

Our common stock is currently traded on the Nasdaq National Market. Under Nasdaq s listing maintenance standards, if the closing bid price of our common stock is under $1.00 per share for 30 consecutive trading days, Nasdaq will notify us that we may be delisted from the Nasdaq National Market. If the closing bid price of our common stock does not thereafter regain compliance for a minimum of 10 consecutive trading days during the 90 days following notification by Nasdaq, Nasdaq may delist our common stock from trading on the Nasdaq National Market. There can be no assurance that our common stock will remain eligible for trading on the Nasdaq National Market. In addition, if our common stock is delisted, our stockholders would not be able to sell our common stock on the Nasdaq National Market, and their ability to sell any of our common stock would be severely, if not completely, limited.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For this purpose, any statements contained or incorporated by reference herein that are not statements of historical fact are considered forward-looking statements. Without limiting the foregoing, the words believes, anticipates, estimates, expects, intends, plans, seeks, should, would, projects, predicts, continues and similar expressions or the negative of these terms may identify forward-looking statements. cannot assure the future results or outcome of the matters described in any of these statements; rather, these statements are based on current expectations and are subject to risks, uncertainties and changes in condition, significance, value and effect, including those discussed under the heading entitled Risk Factors and in reports filed by Plug Power with the SEC, specifically forms 10-K and 10-Q, incorporated by reference into this prospectus supplement. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those anticipated events.

Readers should not place undue reliance on the forward-looking statements contained in this prospectus supplement and the accompanying prospectus. We caution you that these forward-looking statements speak only as of the date on which the statements were made and are not guarantees of future performance. We assume no obligation to update any forward-looking statements.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $73.4 million, assuming a public offering price of $7.09 per share. We intend to use the net proceeds from this offering for working capital purposes, funds for operations, capital expenditures, research and product development, potential future acquisitions and general corporate purposes.

DILUTION

Our net tangible book value as of June 30, 2005 was approximately $70.8 million, or approximately $0.96 per share of common stock. Net tangible book value per share is equal to total assets minus the sum of total liabilities and intangible assets divided by the total number of shares outstanding.

Dilution in net tangible book value per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of common stock immediately after completion of this offering. After giving effect to the sale of 11,000,000 shares of common stock in this offering at an assumed public offering price of $7.09 per share and after deducting the underwriting discounts and commissions and estimated offering expenses, our net tangible book value as of June 30, 2005, would have been $1.70 per share. This amount represents an immediate increase in net tangible book value to existing shareholders of $0.74 per share and an immediate dilution in net tangible book value of $5.39 per share to purchasers of shares of common stock in this offering, as illustrated in the following table:

Assumed price per share of common stock		$ 7.09
Net tangible book value per share as of June 30, 2005	$ 0.96	
Increase in net tangible book value per share after giving effect to this offering	$ 0.74	
Net tangible book value per share as of June 30, 2005, after giving effect to this offering		$ 1.70
Dilution in net tangible book value per share to new investors		$ 5.39

This table assumes no exercise of outstanding options. To the extent that options are exercised, there will be further dilution to new investors.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables present selected historical financial data for the years ended December 31, 2002, 2003 and 2004 and the six-month periods ended June 30, 2004 and 2005. The balance sheet data as of December 31, 2003 and 2004 and the statement of operations data for the years ended December 31, 2002, 2003 and 2004 have been derived from financial statements that have been audited by KPMG LLP, an independent registered public accounting firm, and included in our Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this prospectus supplement. The statement of operations data for the six-month periods ended June 30, 2004 and 2005 and the balance sheet data as of June 30, 2005 are derived from our unaudited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations and financial condition for those periods. The data for the six-month period ended June 30, 2005 are not necessarily indicative of results to be expected for the year ending December 31, 2005 or any future period. It is important that you read this information together with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this prospectus supplement or incorporated by reference into this prospectus supplement and the accompanying prospectus. See Documents Incorporated by Reference. All numbers in these tables are in thousands, except per share data.

	Years Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
				(unaudited)	
Statement of Operations Data:					
Product and service revenue	$ 9,427	$ 7,517	$ 5,306	$ 2,859	$ 2,530
Research and development contract revenue	2,391	4,985	10,836	4,111	4,347
Total revenue	11,818	12,502	16,141	6,971	6,877
Cost of product and service revenue	7,602	7,150	5,368	2,648	1,683
Cost of research and development contract revenue	3,739	7,010	13,474	5,655	6,170
In-process research and development		3,000			
Research and development expense:					
Noncash stock-based compensation	1,004	1,752	2,591	995	749
Other research and development	39,286	38,317	32,612	16,595	16,813
General and administrative expense:					
Noncash stock-based compensation	482	896	1,398	731	604
Other general and administrative	6,474	6,286	7,025	3,482	3,875
Operating loss	(46,768)	(51,910)	(46,327)	(23,136)	(23,017)
Interest income	1,655	833	1,453	809	556
Interest expense	(97)	(62)	(61)	(25)	(63)
Loss before equity in losses of affiliates	(45,209)	(51,139)	(44,935)	(22,352)	(22,524)
Equity in losses of affiliates	(2,009)	(1,900)	(1,804)	(899)	(899)
Net loss	$ (47,218)	$ (53,039)	$ (46,739)	$ (23,251)	$ (23,423)
Loss per share:					
Basic and diluted	$ (.93)	$ (0.88)	$ (0.64)	$ (0.32)	$ (0.32)
Weighted average number of common shares outstanding	50,644,950	60,145,940	73,125,957	72,997,887	73,471,719

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	Years Ended December 31,		Six Months Ended June 30,	
	2003	2004	2004	2005
			(unaudited)	
Balance Sheet Data:				
Cash, cash equivalents and marketable securities	$ 102,004	$ 66,849	$ 82,879	$ 47,211
Working capital	99,286	64,073	81,996	45,556
Total assets	160,589	117,997	140,113	95,951
Current portion of long-term obligations	345	427	409	394
Long-term obligations	5,306	4,996	5,367	5,025
Stockholders equity	144,286	102,113	123,465	81,208

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following Management s Discussion and Analysis of Financial Condition and Results of Operations together with the financial statements and related notes included elsewhere or incorporated in this prospectus supplement or the accompanying prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described under Risk Factors and elsewhere in this prospectus supplement or the accompanying prospectus.

Overview

We design and develop on-site energy systems, based on proton exchange membrane fuel cell technology, for commercial and residential energy consumers worldwide. We are focused on a platform-based systems architecture, which includes proton exchange membrane (PEM) fuel cell and fuel processing technologies, from which we are offering or developing multiple products. We are currently offering our GenCore® product for commercial sale. Our GenCore® product is a back-up power product for telecommunications, broadband, utility and industrial uninterruptible power supply (UPS) applications. We are also developing additional products for continuous run power applications, with optional combined heat and power capability for remote small commercial and remote residential applications and an on-site hydrogen generation product for use in a variety of industrial gas applications.

We are a development stage enterprise in the beginning stages of field-testing and marketing our initial commercial products to a limited number of customers, including telecom, utilities, government entities and our distribution partners. Our initial commercial product, the GenCore® 5T, is designed to provide direct-current (DC) backup power for telecommunications, broadband, utility and industrial uninterruptible power supply (UPS) applications. See Product Development and Commercialization. The GenCore® 5T is fueled by hydrogen and does not require a fuel processor.

Our strategy for product sales, distribution and marketing relies on forming relationships with distributors and customers and entering into development and demonstration programs with electric utilities, government agencies and other energy providers. As such, we have formed distribution, marketing and technology development relationships with companies such as General Electric Company (GE), Honda, Vaillant, Tyco, Pemeas Gmbh (Pemeas), Engelhard Corporation and DTE Energy. See Strategic Relationships and Development Agreements. We are also engaging directly with customers as the market for our products develops. Many of our initial sales of our GenCore® 5T product are contract specific arrangements containing multiple obligations, that may include a combination of fuel cell systems, continued service, maintenance and other support. While contract terms require payment upon delivery and installation of the fuel cell system and are not contingent on the achievement of specific milestones or other substantive performance, the multiple obligations within our contractual arrangements are not accounted for separately based on our limited commercial experience and available evidence of fair value. As a result, we defer recognition of product and service revenue and recognize revenue on a straight line basis over the stated contractual terms, as the continued service, maintenance and other support obligations expire, which are generally for periods of twelve to twenty-seven months. See Critical Accounting Policies and Estimates Revenue Recognition.

As we gain commercial experience, including field experience relative to service and warranty based on the sales of our initial products, the fair values for the multiple elements within our future contracts may become determinable and we may, in future periods, recognize revenue upon delivery of the product or we may continue to defer recognition, based on application of appropriate guidance within EITF 00-21, Accounting for Revenue Arrangements with Multiple Deliverables, or changes in the manner in which we structure contractual agreements, including our agreements with distribution partners.

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Our cash requirements depend on numerous factors, including completion of our product development activities, ability to commercialize our fuel cell systems, market acceptance of our systems and other factors. We expect to pursue the expansion of our operations through internal growth and strategic acquisitions. As of June 30, 2005, we had unrestricted cash and cash equivalents and marketable securities totaling $47.2 million and working capital of $45.6 million. Additionally, we have restricted cash in the amount of $4.3 million, which was escrowed to collateralize debt associated with the purchase of our facilities in 1999.

During the six months ended June 30, 2005, cash used by operating activities was $19.4 million consisting primarily of a net loss of $23.4 million offset, in part, by non-cash expenses in the amount of $5.1 million, including $1.7 million for amortization and depreciation, $1.8 million for stock based compensation, $688,000 for amortization of intangible assets and $898,000 for equity losses in affiliates. Cash provided by investing activities for the six months ended June 30, 2005 was $17.3 million consisting of $18.3 million provided by marketable securities offset by $941,000 used to purchase property plant and equipment. Cash provided by financing activities was $523,000 consisting primarily of net proceeds from the issuance of common stock for stock options exercised during the six months ended June 30, 2005.

We have financed our operations through June 30, 2005 primarily from the sale of equity, which has provided cash in the amount of $349.9 million. Since inception, net cash used in operating activities has been $281.8 million and cash used in investing activities has been $44.1 million, including our purchase of property, plant and equipment of $32.6 million and our investments in marketable securities in the amount of $30.1 million offset, in part, by net proceeds from acquisition of $29.5 million.

Product Development and Commercialization

We currently have one commercial product line, which we are continuing to enhance and broaden:

GenCore® Our GenCore® product line is focused on providing back-up, DC power products in a power range of 1-12 kilowatts for applications in the telecom, broadband, utility and industrial UPS market applications. In the fourth quarter of 2003, the Company began initial shipments of the GenCore® 5T product, and has shipped 152 units through June 30, 2005. The Company recently announced several orders, for a total of 116 GenCore® back-up fuel cell systems, from Tyco and the sale of 12 GenCore® systems to the Florida Department of Environmental Protection, marking the first commercial purchase of a GenCore® product by a state agency.

Additionally, we continue to advance the development of our other technology platforms:

GenSys® We are developing GenSys® into a platform that is expected to support a number of products, including systems fueled by liquefied petroleum gas (LPG) for remote applications and, eventually, grid-connected light commercial and residential applications fueled by LPG or natural gas. In connection with the development of our GenSys® platform, we are developing combined heat and power (CHP) fuel cell systems for light commercial and residential applications that provide supplemental heat as electricity is produced. The GenSys® development effort also includes a joint development program with Vaillant, under which we are developing a product that combines our fuel cell system with Vaillant s gas heating technology to provide heat, electricity and hot water for the European light commercial and residential markets. We recently received a contract extension from the Department of Defense to install 10 GenSys® systems at Robbins Air Force base where they will be tested for reliability and suitability for use on military bases.

GenSite We have combined our proprietary fuel processor technology with available commercial components for gas compression, purification and storage to further develop GenSite , an on-site hydrogen gas generator. This product is expected to target certain applications now served by packaged hydrogen gas (cylinders or tube trailers) or electrolyzers. We presently have a prototype system in our research and product development facilities in Apeldoorn, Holland, and another system at our Latham, NY headquarters. In 2005, we expect to install and operate a number of GenSite systems, in application, at customer locations. During 2004, we shipped our first GenSite system and it was installed and operational during the quarter ended March 31, 2005.

Home Energy Station We are also currently developing technology in support of the automotive fuel cell market under an agreement with Honda R&D Co Ltd. of Japan (Honda), a subsidiary of Honda Motor Co., Ltd., under which we are exclusively and jointly developing and testing a fuel cell system that provides electricity and heat to a home or business, while also providing hydrogen fuel for a fuel cell vehicle (Home Energy Station). In October 2003, we successfully demonstrated a prototype Home Energy Station at Honda R&D Americas facility in Torrance, California. In March 2004, we signed an agreement with Honda for the second phase of our expected multi-phase product development effort. As in the first phase, Honda is funding work under this agreement. In September 2004, under the second phase of our work with Honda, we successfully demonstrated a second-generation prototype of the Home Energy Station at our Latham NY headquarters. This system is refueling a prototype Honda FCX fuel cell vehicle that is undergoing winter testing in the Albany, New York region, as well as two FCX vehicles that Honda has leased to the State of New York. We are continuing our collaboration with Honda and in February 2005 we signed an agreement with Honda for the third phase of this multi-phase Home Energy Station product development effort.

GenDrive The GenCore® platform is expected to provide the basis for our development of the GenDrive product, a hydrogen-fueled battery-replacement module for material handling equipment. We continue to explore partnerships with end users of this product to develop the GenDrive further.

Strategic Relationships and Development Agreements

Since our inception, we have formed strategic relationships with suppliers of key components, developed distributor and customer relationships and entered into development and demonstration programs with electric utilities, government agencies and other energy providers. Relationships have been established for sales and marketing related activity, as well as technology development. These relationships include distribution, marketing and technology arrangements with companies such as General Electric Company (GE), Honda, Vaillant, Tyco, Pemeas Gmbh (Pemeas), Engelhard Corporation and DTE Energy, and relationships with supply chain partners, including 3M, Dana, Toyo, Entegris, Parker and Arvin Meritor. Some of these relationships are described in greater detail below.

General Electric Entities: In February 1999, we entered into an agreement with GE MicroGen, Inc. to form GE Fuel Cell Systems, LLC (GEFCS), to exclusively market, sell, install and service our stationary PEM fuel cell systems on a global basis, with the exception of the states of Illinois, Indiana, Michigan and Ohio, in which DTE Energy Technologies, Inc. has exclusive distribution rights. GE MicroGen, Inc. is a wholly owned subsidiary of GE that operates within the GE Energy (formerly known as GE Power Systems) business. Under the terms of our distribution agreement with GEFCS, we serve as GEFCS exclusive supplier of PEM fuel cell systems and related components meeting the specifications set forth in the distribution agreement. We have a 40% ownership interest in GEFCS.

In August 2001, we amended our agreements with GE MicroGen, Inc. and GEFCS to expand GEFCS exclusive worldwide distribution rights to include all of our stationary PEM fuel cell systems. Under the amended agreements, we can sell systems directly to governmental and quasi-governmental entities and, under certain circumstances, to other customers.

In October 2003, we further amended our distribution agreement to provide for the ability to sell directly or negotiate nonexclusive distribution rights to third parties for our GenCore® backup power product line and our GenSite hydrogen generation product line. In exchange we have agreed to pay a commission, based on sales price, to GEFCS at a rate and schedule prescribed in our amended agreement. The distribution agreement expires on December 31, 2014.

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As a result of the October 2003 amendment to our distribution agreement with GEFCS, we have formed our own marketing and sales force to channel the GenCore® and GenSite products to the market. In addition to direct sales to customers, we actively seek distribution partners within target markets for these particular products.

In addition to the distribution agreement described above, we have entered into a separate agreement with GE relating to product development and we have agreed to source technical support services from GE, including engineering, testing, manufacturing and quality control services. Under the initial agreement, the Company is committed to purchase a minimum of $12.0 million of such services through September 2004. During 2005, the Company and GE extended this period through December 2007. Through June 30, 2005, we had purchased approximately $10.1 million of such services. Additionally, GE agreed to act as our agent in procuring certain equipment, parts and components and is providing training services to our employees regarding procurement activities pursuant to this agreement.

Honda: We have an agreement with Honda to exclusively and jointly develop and test the Home Energy Station. We are currently entering Phase III development of a third generation Home Energy Station prototype. In addition, we have signed a new agreement with Honda to collaborate on research and development activities for future products.

Tyco: In September 2004, we completed an agreement with Tyco Electronics Power Systems, Inc. (Tyco) to market, promote and sell our GenCore® 5T fuel cell systems for telecommunication back-up applications through its direct sales force, under both the Tyco Electronics and Plug Power brands. This agreement is complemented by the June 2004 nationwide service and installation agreement for GenCore® between the Company and Tyco Electronics Installation Services Inc.

Vaillant: We have a development agreement with Vaillant GmbH (Vaillant), to develop a fuel cell heating appliance that combines our fuel cell system with Vaillant s gas heating technology to provide heat, electricity and hot water for the European light commercial and residential markets. Under the agreement, we will sell fuel cell subsystems directly and exclusively to Vaillant, and Vaillant will distribute fuel cell heating appliances throughout Europe on a non-exclusive basis. In exchange for the right to sell fuel cell subsystems directly and exclusively to Vaillant, we have agreed to pay GE MicroGen, Inc. a commission, based on a prescribed percentage of sales of fuel cell subsystems as defined in the agreement.

Pemeas: We have a joint development agreement with Pemeas (effective April 1, 2004, the fuel cell activity of Celanese AG and former Hoechst AG were combined to form a new company, Pemeas GmbH), to develop, on an exclusive basis, a high temperature membrane electrode unit for stationary fuel cell systems with net electrical output of 750 watts up to 25 kilowatts. Additionally, we have the option to work with Pemeas on a non-exclusive basis to develop a high-temperature membrane electrode unit for stationary fuel cell systems with net electrical output of less than 750 watts and greater than 25 kilowatts. Under the agreement, the Company and Pemeas will each fund their own development efforts.

Engelhard: We have a joint development agreement and a supply agreement with Engelhard Corporation for development and supply of advanced catalysts to increase the overall performance and efficiency of our fuel processor. Over the course of the joint development agreement we have contributed $10.0 million to fund Engelhard s development efforts and in turn Engelhard has purchased $10.0 million of our common stock. As of September 30, 2004 all funding obligations related to development efforts had been met and the Company and Engelhard have been funding their own development efforts. Additionally, a supply agreement with Engelhard specifies the rights and obligations for Engelhard to supply products to us until 2013.

DTE Energy: We have a distribution agreement with DTE Energy Technologies, Inc. under which DTE can exclusively market, sell, install and service our stationary PEM fuel cell systems in the states of Michigan, Ohio, Illinois, and Indiana. Under an amendment to the agreement in February 2004, we can sell directly or negotiate nonexclusive distribution rights to third parties for our GenCore® back-up power product line, and our GenSite hydrogen generation product line. In exchange we have agreed to pay a commission, based on sales price, to GEFCS at a rate and schedule prescribed in our amended agreement. The distribution agreement expires on December 31, 2014.

Results of Operations

Comparison of the Three Months Ended June 30, 2005 and June 30, 2004.

Product and service revenue. Product and service revenue was $1.5 million for the three months ended June 30, 2005 compared to $1.5 million for the three months ended June 30, 2004. We defer recognition of product and service revenue at the time of delivery and recognize revenue as the continued service, maintenance and other support obligations expire. See Critical Accounting Policies and Estimates Revenue Recognition. The costs associated with the product, service and other obligations are expensed as they are incurred.

Our initial sales of the GenCore® product are contract specific arrangements containing multiple obligations, that may include a combination of fuel cell systems, continued service, maintenance and other support. While contract payment upon delivery and installation of the fuel cell system are not contingent on the achievement of specific milestones or other substantive performance, the multiple obligations within our contractual arrangements are not accounted for separately based on our limited commercial experience and available evidence of fair value. As a result, we defer recognition of product and service revenue and recognize revenue on a straight-line basis as the continued service, maintenance and other support obligations expire, which are generally for periods of twelve to twenty-seven months.

During the three months ended June 30, 2005, we recognized product and service revenue of $1.5 million, $1.3 million of which was deferred at December 31, 2004, compared to $1.5 million during the same quarter last year, $1.2 million of which was deferred at December 31, 2003. We delivered a total of 26 fuel cell systems during the quarter ended June 30, 2005. The revenue associated with 21 of these systems is related to product and service arrangements and has been deferred while 5 fuel cell systems were delivered under a government contract and the associated revenue is included in research and development contract revenue. For the three months ended June 30, 2005, we deferred revenue in the amount of $424,000 for the 21 systems delivered under product and service arrangements, compared to $2.7 million for the 42 fuel cell systems delivered during the same period in 2004.

At June 30, 2005, we had total deferred product and service revenue in the amount of $3.7 million of which we expect to recognize approximately $3.2 million during the remainder of 2005.

Research and development contract revenue. Compared to the same period in the prior year, research and development contract revenue was flat at $2.2 million for the three months ended June 30, 2005. Research and development contract revenue primarily relates to cost reimbursement research and development contracts associated with the development of PEM fuel cell technology. We generally share in the cost of these programs with cost sharing percentages between 20% and 60%. Revenue from time and material contracts is recognized on the basis of hours utilized, plus other reimbursable contract costs incurred during the period. We expect to continue certain research and development contract work that is directly related to our current product development efforts.

Cost of product and service revenue. Cost of product and service revenue decreased to $1.0 million for the three months ended June 30, 2005 from $1.8 million for the three months ended June 30, 2004. The decrease was driven primarily by a change in product mix as compared to the prior year, with more lower cost GenCore® units sold in 2005 versus more higher cost GenSite units sold in the prior year. Cost of product and service revenue includes the direct material cost incurred in the manufacture of the products we sell, as well as the labor and material costs incurred for product maintenance, replacement parts and service under our contractual obligations. These costs consist primarily of production materials and fees paid to outside suppliers for subcontracted components and services.

Cost of research and development contract revenue. Cost of research and development contract revenue increased to $3.3 million for the three months ended June 30, 2005 from $3.1 million for the three months ended June 30, 2004. The increase in these costs related to the additional development agreements described above under research and development contract revenue. Cost of research and development contract revenue includes costs associated with research and development contracts including: compensation and benefits for engineering and related support staff, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies used and other directly allocable general overhead costs allocated to specific research and development contracts.

Noncash research and development expense. Noncash research and development expense for the three months ended June 30, 2005, decreased to $377,000 from $521,000 for the same period last year. Noncash research and development expense represents the fair value of stock grants to employees, consultants and others in exchange for services provided. The decrease is primarily the result of stock based compensation associated with the amortization of restricted stock issued in June 2003 under our employee stock option exchange program offset by the recovery of amortization associated with forfeited shares from terminated employees.

Other research and development expense. Other research and development expenses were $7.4 million for the three months ended June 30, 2005 compared to $7.3 million for the three months ended June 30, 2004. Research and development expense includes: materials to build development and prototype units, compensation and benefits for the engineering and related staff, expenses for contract engineers, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies consumed, facility related costs such as computer and network services and other general overhead costs.

For the quarter ended June 30, 2004, other research and development expense also included amortization in the amount of $688,000 related to the portion of the H Power purchase price which has been capitalized and recorded on our balance sheet under the caption Intangible assets . This intangible asset became fully amortized during the first quarter of fiscal 2005 and, thus, there is no related amortization expense for the three months ended June 30, 2005.

Noncash general and administrative expense. Noncash general and administrative expenses for the three months ended June 30, 2005 decreased to $468,000 from $479,000 for the three months ended June 30, 2004. Noncash general and administrative expense represents the fair value of stock grants to employees, consultants and others in exchange for services provided. The decrease is primarily the result of stock based compensation associated with the amortization of restricted stock issued in June 2003 under our employee stock option exchange program offset by the recovery of amortization associated with forfeited shares from terminated employees.

Other general and administrative expense. Other general and administrative expense increased to $1.9 million for the three months ended June 30, 2005 from $1.8 million for the three months ended June 30, 2004. Other general and administrative expense includes compensation, benefits and related costs in support of our general corporate functions including general management, finance and accounting, human resources, marketing, information technology and legal services.

Interest income. Interest income consisting of interest earned on our cash, cash equivalents and marketable securities decreased to $285,000 for the three months ended June 30, 2005 from $443,000 for the

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same period in 2004. The decrease was the result of lower cash balances partly offset by slightly higher yields on our investment portfolio.

Interest expense. Interest expense was $34,000 for the three months ended June 30, 2005, compared to $10,000 for the same period last year. Interest expense consists of interest on our long-term obligation related to the purchase of real estate and interest paid on capital lease obligations. The increase in expense as compared to the prior year was driven by an increase in the floating interest rate on the loan for the purchase of real estate.

Equity in losses of affiliates. Equity in losses of affiliates increased to $448,000 for the three months ended June 30, 2005 from $434,000 during the same period last year. Equity in losses of affiliates, which we account for under the equity method of accounting, is our proportionate share of loss of GE Fuel Cell Systems, which was $0 as GE Fuel Cell Systems was essentially breakeven for the three months ended June 30, 2005, and the amortization of our original investments in the amount of $448,000.

Income taxes. We did not report a benefit for federal and state income taxes in the consolidated financial statements as the deferred tax asset generated from our net operating loss has been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carryforward will not be realized.

Comparison of the Six Months Ended June 30, 2005 and June 30, 2004

Product and service revenue. During the six months ended June 30, 2005, we delivered 42 fuel cell systems. The revenue associated with 31 of these systems is related to product and service arrangements. Accordingly, under our accounting policy for product and service revenue, we have deferred revenue on these 31 systems which will be recognized over the stated contractual term. The associated costs of the 31 fuel cell systems shipped to customers were included in cost of product and service revenue. The remaining 11 fuel cell systems were shipped under a government contract and the associated revenue is included in research and development contract revenue while the associated costs are included in cost of research and development contract revenue in the accompanying condensed consolidated statement of operations for the period ended June 30, 2005.

We invoiced $563,000 for the 31 systems shipped to customers as compared to $2.6 million for the 68 fuel cell systems shipped during the same period 2004. The decrease in the amount invoiced is the result of an increased proportion of our shipments coming from our GenCore® product which has a lower average selling price per unit than our GenSys product. See Product Development and Commercialization. During the six months ended June 30, 2005, we recognized product and service revenue of $2.5 million, of which $2.3 million was deferred at December 31, 2004, compared to $2.9 million during the same period last year, of which $2.5 million was deferred at December 31, 2003.

Research and development contract revenue. Research and development contract revenue increased to $4.3 million for the six months ended June 30, 2005 from $4.1 million during the same period last year. Research and development contract revenue primarily relates to cost reimbursement research and development contracts associated with the development of PEM fuel cell technology. We generally share in the cost of these programs with cost sharing percentages between 20% and 60%. Revenue from time and material contracts is recognized on the basis of hours utilized, plus other reimbursable contract costs incurred during the period. We expect to continue certain research and development contract work that is directly related to our current product development efforts.

Cost of product and service revenue. Cost of product and service revenue was $1.7 million for the six month period ended June 30, 2005 compared to $2.6 million for the same period last year. The decrease was driven primarily through a change in product mix as compared to the prior year, with more lower cost GenCore® units sold in 2005 versus more higher cost GenSite units sold in the prior year. Cost of product and service revenue includes the direct material cost incurred in the manufacture of the products we sell, as well as the labor and material costs incurred for product maintenance, replacement parts and service under our contractual obligations. These costs consist primarily of production materials and fees paid to outside suppliers for subcontracted components and services.

Cost of research and development contract revenue. Cost of research and development contract revenue increased to $6.2 million for the six months ended June 30, 2005 from $5.7 million for the six months ended June 30, 2004. Cost of research and development contract revenue includes costs associated with research and development contracts including: compensation and benefits for engineering and related support staff, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies used and other directly allocable general overhead costs allocated to specific research and development contracts.

Noncash research and development expenses. Noncash research and development expense for the six months ended June 30, 2005, decreased to $749,000 from $995,000 during the same period last year. Noncash research and development expense represents the fair value of stock grants and vested stock options to employees, consultants and others in exchange for services provided. The decrease is primarily the result of decreased stock-based compensation associated with the amortization of restricted stock issued in June 2003 under our employee stock option exchange program.

Other research and development expense. Other research and development expense was $16.8 million for the six months ended June 30, 2005 compared to $16.6 million for the six months ended June 30, 2004. Research and development expense includes: materials to build development and prototype units, compensation and benefits for the engineering and related staff, expenses for contract engineers, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies consumed, facility related costs such as computer and network services and other general overhead costs.

Noncash general and administrative expense. Noncash general and administrative expenses for the six months ended June 30, 2005 decreased to $604,000 from $731,000 for the six months ended June 30, 2004. Noncash general and administrative expense represents the fair value of stock grants and vested stock options to employees, consultants and others in exchange for services provided. The decrease is primarily the result of stock-based compensation associated with the amortization of restricted stock issued in June 2003 under our employee stock option exchange program.

Other general and administrative expense. Other general and administrative expense was $3.9 million for the six months ended June 30, 2005 compared to $3.5 million for the same period last year. Other general and administrative expense includes compensation, benefits and related costs in support of our general corporate functions including general management, finance and accounting, human resources, marketing, information technology and legal services. General salary increases as well as increased compensation expense pertaining to the expanded sales force contributed to the increase in other general and administrative expense as compared to the prior year.

Interest income. Interest income consisting of interest earned on our cash, cash equivalents and marketable securities decreased to $556,000 for the six months ended June 30, 2005 from $809,000 for the same period in 2004. The decrease was due to lower cash balances offset, in part, by higher yields.

Interest expense. Interest expense was $63,000 for the six months ended June 30, 2005, compared to $25,000 for the same period last year. Interest expense consists of interest on our long-term obligation related to the purchase of real estate and interest paid on capital lease obligations.

Equity in losses of affiliates. Equity in losses of affiliates for the six months ended June 30, 2005 and 2004 was $899,000. Equity in losses of affiliates, which we account for under the equity method of accounting, is our proportionate share of the losses of GE Fuel Cell Systems in the amount of $3,000 and amortization of our original investments in the amount of $896,000.

Income taxes. We did not report a benefit for federal and state income taxes in the consolidated financial statements as the deferred tax asset generated from our net operating loss has been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carryforward will not be realized.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles and related disclosure requires management to make estimates and assumptions that affect:

- the amounts reported for assets and liabilities;
- the disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts reported for revenues and expenses during the reporting period.

Specifically, we must use estimates in determining the economic useful lives of assets, including identifiable intangibles, and various other recorded or disclosed amounts. Therefore, our financial statements and related disclosure are necessarily affected by these estimates. We evaluate these estimates on an ongoing basis, utilizing historical experience and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from estimates. To the extent that actual outcomes differ from estimates, or additional facts and circumstances cause management to revise estimates, our financial position as reflected in its financial statements will be affected. Any effects on business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

We believe that the following are our most critical accounting policies affected by the estimates and assumptions the Company must make in the preparation of its financial statements and related disclosure:

Revenue recognition: We are a development stage enterprise in the stages of performing field testing and marketing our initial commercial products to a limited number of customers, including telecom, utilities, government entities and our distribution partners. This initial product is a limited edition fuel cell system that is intended to offer complementary, quality power while demonstrating the market value of fuel cells as a preferred form of alternative distributed power generation. Subsequent enhancements to our initial product are expected to expand the market opportunity for fuel cells by lowering the installed cost, decreasing operating and maintenance costs, increasing efficiency, improving reliability, and adding features such as grid independence and co-generation and UPS applications.

We apply the guidance within Staff Accounting Bulletin No. 104,   Revenue Recognition in Financial Statements   (SAB 104) to our initial sales contracts to determine when to properly recognize revenue. We defer recognition of product and service revenue at the time of delivery and recognize revenue as the continued service, maintenance and other support obligations expire. The costs associated with the product, service and other obligations are expensed as they are incurred.

Our initial sales of GenSys® and GenCore® 5T are contract specific arrangements containing multiple obligations, that may include a combination of fuel cell systems, continued service, maintenance and other support. While contract terms require payment upon delivery and installation of the fuel cell system and are not contingent on the achievement of specific milestones or other substantive performance, the multiple obligations within our contractual arrangements are not accounted for separately based on our limited commercial experience

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RISK FACTORS

Investment in the shares offered through this Prospectus involves a high degree of risk. Please carefully consider the following risk factors, along with the other information contained in this Prospectus, including the documents incorporated by reference, before deciding whether to exercise your Rights.

Upon completion of the Offer, you will own a smaller proportional interest in our company if you do not fully exercise your Rights and an immediate dilution of the book value per share probably will occur.

If you do not fully exercise your Rights you will, at the completion of the Offer, own a smaller proportional interest in our company than you owned prior to the Offer. In addition, an immediate dilution of the book value per share probably will be experienced by you as a result of the Offer and the purchase of shares by Core Support Group members because the Subscription Price probably will be less than the then current book value per share, and the number of shares outstanding after the Offer will increase by a greater percentage than the increase in the amount of our stockholders equity. Although we cannot state precisely the amount of this decrease in value because we do not know how many shares will be sold or what the Subscription Price will be, dilution could be substantial. For example, if the Subscription Price per share is $____ and the book value per share on the Expiration Date is $____, and if all 29,411,765 shares are sold, our book value per share would be reduced by approximately $____ per share or ____%. The actual Subscription Price and book value may be greater or less than the Subscription Price and book value we have assumed in this example.

To the extent we pay fees and incur expenses connected to the Offer, they will have a dilutive effect on our book value per share.

Global economic conditions have been weak making recovery in Latin America more difficult and increasing the risk that economic conditions in Latin America will further deteriorate and increase the level of our problem loans. The war in Iraq is contributing to this weakness.

During 2001, the U.S. economy suffered a recession, and was further adversely affected by the attack on New York s World Trade Center. Negative trends that began in 2001, such as extreme volatility in the U.S. equity markets, have continued through the end of 2002. Most major economies in Europe also suffered economic downturns during 2001 and/or 2002. Because the United States and Europe are the principal export markets for the Latin American region, these global conditions have adversely affected Latin American economies. If these conditions continue or worsen, it likely will delay any economic recovery in the Latin American region which would reduce our access to funding, which would in turn reduce our ability to make loans, and increase the risk profile of our credit portfolio. This would further reduce our interest income and require us to make further provisions against probable loan losses.

The war in Iraq is contributing to increases in the price of oil and further delayed investment decisions, making a recovery of the global economy more difficult and uncertain.

Economic conditions in the Latin American region, where we conduct all our lending activities, and where past economic difficulties have resulted in debt restructurings and loan losses for lenders, have been highly volatile since the end of 2001 and could deteriorate

further and require us to further increase our credit loss allowance.

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All of our lending activities are conducted with borrowers in the Latin American region which includes Central and South America and the Caribbean. At various times in the past, countries in this region have experienced severe economic difficulties, including periods of slow or negative growth, large government budget deficits, high inflation, currency devaluation and unavailability of foreign exchange, including dollars. As a result, since we began operations in 1979, many governments and public and private institutions in the Latin American region have at various times been unable to make interest and principal payments on their external debt, and much of the external debt of the region has been restructured to provide for extensions of repayment schedules, grace periods during which payments of principal have been suspended and, in certain cases, reduced principal and/or rates of interest.

These difficulties have arisen again, particularly in Argentina where a prolonged economic crisis has resulted in a default on the country s public sector external debt. The Argentine crisis has required us to add in 2002 $273 million to our loan loss allowance to provide for probable losses on our Argentine loan portfolio. This resulted in a $269 million loss for us and a $269 million reduction in our shareholders equity in 2002. If economic conditions in countries in the Latin American region where we conduct lending activities deteriorate further, we could be required to make further loan loss provisions, which could produce additional losses and further reduce our capital.

Economic problems in countries in the Latin American region have led to increasing political instability in a number of countries, particularly Argentina and Venezuela. This political instability has further compounded and prolonged the economic difficulties due to the lack of effective government mechanisms to address the problems.

The crisis in Argentina has resulted in almost our total Argentine credit portfolio being classified as impaired and required us to increase our allowance for credit losses during 2002 which resulted in a large net loss and reduction of our stockholders equity. A continuation of the crisis may result in higher losses on our Argentine loans than we have provided for. This would reduce our earnings or produce additional losses, and could further reduce our capital base.

A prolonged deterioration in Argentina s economic and political environment, financial condition and investor confidence resulted in late December 2001 in a profound crisis which forced the Argentine government to adopt stringent measures. These included foreign exchange and deposit controls, bank holidays and restrictions on the repayment of foreign debt. There is uncertainty as to how or when the situation will be resolved.

The deterioration of the Argentine economy, reflecting four years of economic recession, and the current crisis reduced the capital and earnings of our Argentine obligors, including banks and corporations, and made it more difficult if not impossible for them to repay our loans.

Our Argentine credit portfolio at December 31, 2002 amounted to $774 million, which represented a reduction of $340 million from December 31, 2001. All of our exposure in Argentina continues to be denominated in U.S. dollars (with the exception of a small portion in Japanese yen). None of our loans in Argentina have been converted to Argentine pesos. During 2002, we collected interest from Argentine borrowers of approximately $38 million (including $17 million received after the credits were classified as impaired) representing 87% of interest due from those borrowers, while interest in the amount of $6 million was past due on December 31, 2002. At June 30, 2002, 97% of our total credit portfolio in Argentina was classified as impaired and, since June 30, 2002, all interest income on our Argentine impaired credit portfolio is accounted for on a cash basis.

Even with the benefit of our confirmed multilateral status, given the continued severity of the Argentine crisis, we believe that we will have to renegotiate and restructure loans, and that we will also face write-offs related to our Argentine portfolio.

Because of concerns about the collectibility of our Argentine credit portfolio, our Board and management increased our allowance for credit losses during 2002 by $279 million. As of December 31, 2002, our total allowance for credit losses amounted to $453 million of which $380 million related to our loan portfolio and off-balance sheet items in Argentina of $739 million. As a result of the increase in our allowance for credit losses and a $44 million charge for impairment loss on Argentine securities during 2002, we incurred a net loss for 2002 of $269 million. This also had the effect of reducing our common stockholders equity to $329 million at December 31, 2002 from $598 million at December 31, 2001.

We believe that our $380 million of allowances for credit losses related to our exposure in Argentina is adequate to cover any Argentine credit charge offs on our Argentine loans and off-balance sheet credit risks. Argentina has reached a limited agreement with the International Monetary Fund regarding additional IMF loans, and the Argentine economy has shown some signs of a recovery, although the crisis is far from over. If there is further deterioration in Argentine economic conditions, or if the crisis continues indefinitely, our loan losses in Argentina could be higher than we currently anticipate. This would require us to take additional charges against our earnings and/or equity capital, which could produce losses for us in the future and a significant reduction in our equity capital.

The devaluation of the Argentine peso has made it much more difficult for our Argentine obligors to repay their obligations to us, all of which are denominated in U.S. dollars.

In early 2002, the Argentine government abandoned its currency board arrangement which previously had effectively linked the value of the Argentine peso to the value of the U.S. dollar, on a one-for-one basis. As a result, the Argentine peso has been devalued against the U.S. dollar by approximately 65%. This has made it much more difficult for our Argentine obligors to repay their obligations to us, all of which are denominated in U.S. dollars. Most of these Argentine obligors receive most of their income in the form of Argentine pesos and thus, because of the devaluation, a much larger amount in pesos will be required to repay our loans than was the case when the loans were made. This has increased the likelihood that these obligors will not be able to repay our loans based on their original terms and that substantial restructurings and loan reductions will be required.

Brazil recently elected a new administration whose economic policies are untested. To the extent these policies are not free market oriented, they could produce a deterioration of economic conditions in Brazil causing defaults in our Brazilian credit portfolio and requiring us to create further loan loss allowances.

Investors became increasingly uneasy about Brazil due to, among other factors, the situation in Argentina and an increasingly uncertain political environment leading up to the election at the end of October 2002 of Luiz Inacio Lula da Silva. The markets are awaiting further clarification as to the policies that will be implemented by his administration and the effect of these policies, although there has been a positive market reaction to Mr. da Silva s actions and appointments thus far. The election was preceded by the rapid decline in the value of Brazil s currency compared to the U.S. dollar, making it more difficult for our Brazilian obligors to repay their U.S. dollar-denominated obligations to us, and speculation about the ability of Brazil to service its approximately $239 billion of public debt, much of which must be refinanced in the next several years.

Our credit portfolio in Brazil amounted to $1,115 million at December 31, 2002, down from $2,461 million at December 31, 2001. As of the date of this Prospectus, substantially all of our loans to

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Brazilian borrowers are current and there are no past due amounts of interest or principal, although loans to two Brazilian borrowers aggregating $60.2 million have been restructured. In addition, approximately 70% of our portfolio in Brazil matures during 2003 giving us the flexibility to further reduce our exposure in Brazil if this becomes necessary. We remain committed to continuing our lending activities in this very important market in the region. However, the political and economic situation in Brazil may deteriorate, which could weaken our Brazilian credit portfolio. If this were to occur, our capital levels, even after our proposed recapitalization, could prove inadequate to accommodate the need to create further loan loss allowances.

The current political and economic turmoil in Venezuela is making it more difficult for our Venezuelan borrowers to service their loans on a timely basis and this situation could worsen and result in some of these borrowers defaulting on their loans.

Broadbased discontent with the policies of the current Venezuelan government produced a country-wide strike which seriously disrupted economic activity in Venezuela and severely curtailed the production and export of oil, the major source of Venezuela s foreign exchange. In response, the government has imposed foreign exchange and price controls, making it more difficult for our borrowers in that country to obtain the U.S. dollars needed to service their U.S. dollar loans to us on a timely basis. We expect that if this situation continues, it will result in some payment delays on our Venezuelan loans and there is a significant risk that some of these loans will not be repaid. At December 31, 2002, our credit portfolio in Venezuela amounted to $168 million, representing 5.2% of our total credit portfolio, and there were no past due amounts of interest or principal.

Our credit ratings, already at below investment grade in the case of Fitch, may be further reduced by Moody s and Standard & Poor s to below investment grade. This would severely hamper our ability to obtain funding to carry on our trade financing activities.

During the first quarter of 2002, the major rating agencies downgraded our credit ratings due to the deterioration of our financial condition because of our large exposure in Argentina. This downgrade reflected the deterioration in the quality of our Argentine credit portfolio and the need to create additional credit loss allowances, and take charges for impairment loss on securities, reflecting probable losses in our Argentine credit portfolio. It also reflected our large exposure in Brazil where political and economic uncertainty could require us to create additional loan loss allowances. On August 12, 2002, Fitch further reduced its ratings on our debt securities to below investment grade with a stable outlook. As of the date of this Prospectus, our company has long-term debt ratings of Baa3 from Moody s, BBB- from Standard & Poor s and BB+ from Fitch and short-term debt ratings of Prime 3, A-3 and B from Moody s, Standard & Poor s and Fitch, respectively. The Baa3 rating from Moody s and the BBB- rating from Standard & Poor s are investment-grade ratings. Although our rating outlook from Standard & Poor s remains negative, on January 22, 2003, Moody s changed its rating outlook for us from negative to stable.

This deterioration in our financial condition has had a significant negative impact on our asset base and capital, and has threatened our remaining investment-grade credit ratings. As a result, the Board and management believe that we must raise a minimum of $100 million of Tier 1 capital to provide us with a prudent level of capitalization in view of the environment in which we operate. We also believe that this additional capital is needed in order to allow us to retain our investment-grade credit ratings from Moody s and Standard & Poor s, although a further deterioration of our financial condition caused by continuing adverse developments in Argentina, Brazil and Venezuela, as well as other Latin American countries, could result in us losing these investment grade credit ratings even if we are successful in raising this additional capital.

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A further deterioration of the Argentine situation or difficulties in other countries in the Latin American region where we have large exposures may trigger further downgrades in our credit ratings from Moody s and Standard & Poor s to below investment-grade ratings. This would increase our cost of funds, and reduce our deposit base and accessibility to the debt capital markets. Based on statements made by Standard & Poor s and Moody s, we believe that if we do not obtain additional Tier 1 equity capital, it is highly likely that these rating agencies will reduce their ratings on our debt obligations to below investment-grade. In that case, our ability to obtain the funding necessary to carry on our trade financing activities in Latin America at meaningful levels will be severely hampered. In addition, even if we are successful in raising $100 million of additional capital, it may not be sufficient to achieve our stated goals, including maintaining our investment-grade ratings from Moody s and Standard & Poor s.

Our allowances for credit losses may prove to be inadequate to cover credit losses related to our loan portfolio and off-balance sheet items. If we are required to create additional allowances for credit losses, it could produce further significant losses for us and reduce our equity capital.

At December 31, 2002, the total allowance for credit losses amounted to $453 million, of which $380 million, representing specific allowances, related to our portfolio of impaired loans and off-balance sheet items in Argentina. At December 31, 2002, our total portfolio of loans and off-balance sheet items amounted to $2,939 million, $739 million, or 25%, of which represented loans and off-balance sheet items in Argentina. The remaining $73 million of our allowance for credit losses represents a generic allowance which covers our $2.2 billion of loans and off-balance sheet items outstanding in countries other than Argentina.

We face the risk that our allowances for credit losses may be inadequate to cover the credit losses in our credit portfolio because of further deterioration in the economies of Latin American countries subsequent to December 31, 2002, the date as of which these allowances were determined. Also, the allowances are based on a variety of assumptions and estimates which may prove to be incorrect. For example, the crisis in Argentina is not over and its economy has not yet stabilized, and conditions in Argentina and other countries in the region may change dramatically. The recent ruling of the Supreme Court of Argentina holding that the action of the Argentine government in converting certain U.S. dollar-denominated deposits into peso-denominated deposits was illegal exemplifies the potential for future developments which could prolong the crisis in Argentina, and the uncertainty created by this ruling could delay the commencement of necessary Argentine debt restructurings.

We believe that our current allowance for credit losses is adequate to cover any charge-offs that will be necessary on our current credit portfolio. Our management and Board will continue to maintain the allowance for credit losses at levels which reflect the potential for political and economic instability in countries in the Latin American region and economic cycles. Determining the appropriate level of allowances for credit losses necessarily requires our management s judgment, including assumptions and estimates made in the context of rapidly changing political and economic conditions in many of the countries in the Latin American region. As a result, our current level of allowances may not be adequate to cover losses in our credit portfolio. For example, it is possible that further deterioration in Argentina, or further pressures on other borrowers, particularly in Brazil and Venezuela, could require additional allowances which would produce charges against our earnings or produce further losses that would further reduce our capital.

Our weakened financial condition, credit rating downgrades and increased risk perception of the Latin American region have adversely affected our funding activity and may continue to do so.

Our weakened financial condition and downgrades by the rating agencies have affected our funding activity, by making our lenders and depositors less willing to lend funds to, or place them with,

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us and by increasing the interest costs for us of borrowing funds or obtaining deposits. As a result, we experienced a 52% decline in our deposits and borrowings during 2002. In addition, the dramatic increase in the risk perception of Latin America resulted in a significant decline in the availability of credit lines to the Latin American region. As a result, it has been difficult for Latin American borrowers, including our company, to access international debt markets for placements of securities. Our company experienced a 49% decline in its credit portfolio during 2002 due to, among other things, these difficulties in funding. If this trend continues and funding does not become more readily available to us in the near future, further reductions in our deposits and borrowings, and corresponding reductions in our credit portfolio, are likely to occur.

We believe that a reduction of our investment-grade credit ratings to below investment-grade by Standard & Poor s and Moody s would further reduce the amount of funding available to us for our lending activities, and also substantially increase the cost of any funding that could be obtained.

If the amounts of funding available to us further decline we would be forced to further reduce our credit portfolio which would increase the percentage that our non-performing loans represents of our total credit portfolio and which would further reduce our interest income, making it more difficult to pay our fixed operating expenses. In addition, a further increase in the cost of our funding would reduce the interest rate spread that we earn through our lending activities, and thus further reduce our interest income.

Concentration of our lending activities in a relatively small number of countries could accentuate our loan losses if one or more of those countries encounter further economic difficulties.

At December 31, 2002, approximately $2,508 million, or 78%, of our credit portfolio was outstanding to borrowers in the following five countries: Brazil ($1,115 million, or 35%); Argentina ($774 million, or 24%); Mexico ($230 million, or 7%); the Dominican Republic ($220 million, or 7%); and Venezuela ($168 million, or 5%). In addition, at December 31, 2002, 23% of our total credits were to nine borrowers in Brazil and 6% of our total credits were to four borrowers in Mexico. Our exposure in each country where we extend credit is subject to our Board of Director s approved country limit process that takes into account not only concentration issues, but also general political and economic risk in each country, prospects for business and funding considerations. A significant deterioration, or further deterioration, of economic conditions in any of these countries or of the financial condition of any of these borrowers could require us to create additional allowances for credit losses, or suffer further credit losses with the effect being accentuated because of this concentration.

Concentration of a substantial portion of our funding activities on interbank deposits from central banks required us to significantly reduce our lending when those deposits declined and could do so again in the future.

One of our sources of funding for short-term loans is interbank deposits received principally from central banks in the Latin American region. Historically, these deposits have represented approximately 35% of our total liabilities. During 2002, these central banks withdrew a substantial portion of their deposits with us in large part because of the deterioration in our financial condition and the resulting downgrades in our credit ratings. Overall deposits declined by 65% from $1,571 million at December 31, 2001 to $552 million at December 31, 2002 and, in part as a result, total loans declined by 47% from $4,734 million at December 31, 2001 to $2,517 million at December 31, 2002. Despite this decline in deposits, we were able to maintain a healthy net cash position throughout 2002 due to, among other things, the repayment of loans funded with these deposits, reflecting an asset and liability maturity profile that is basically matched. At December 31, 2002, deposits represented 21% of total liabilities, with the

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balance comprised of short-term obligations primarily from international banks and medium-term obligations primarily from the debt capital markets.

We face the risk that central banks which withdrew deposits during 2002 will not increase the level of their deposits with us, and will further reduce their deposits if we suffer further downgrades of our credit ratings. Failure by central banks to increase their deposit levels with us will make it more difficult to obtain the funding necessary to increase our lending business and improve our profitability. Further withdrawals of deposits by these central banks would force us to further reduce our credit portfolio thus further reducing net interest income.

We face liquidity risk which is the risk of not having adequate cash flow to repay our obligations on a timely basis. Also, no government-owned central bank would act as a lender of last resort if we face a liquidity crisis.

As a bank, we face liquidity risk, which is the risk of not being able to maintain an adequate cash flow to repay our deposits and borrowings incurred to fund our credit portfolio on a timely basis. Failure to adequately manage our liquidity risk could produce a liquidity crisis in which we would not be able to fund these obligations as they become due. We manage our liquidity risk by maintaining our liquidity funds, which are funds generated by demand deposits, call accounts and time deposits placed with us, in short term, highly liquid and high quality investments such as overnight and other short term deposits, negotiable money market instruments, commercial paper and other similar instruments. The primary objectives for these investments are security and liquidity. In order to manage our liquidity needs, our liquidity position is reviewed and monitored on a daily basis by management. Our management follows a conservative liquidity management strategy and in view of the volatility in the Latin American region began gradually increasing our net cash position in the second quarter of 2001. During 2002, we were able to reduce our obligations by approximately $2.7 billion in an orderly fashion while maintaining an adequate liquidity position. At December 31, 2002, liquidity levels amounted to $479 million, representing a net cash position of 87% of total deposits.

Because Panama does not issue its own paper currency, the Banco Nacional de Panama does not act as a central bank in the traditional sense and is not a lender of last resort to the banking system in Panama. Accordingly, if we faced a liquidity crisis, we would have to rely on commercial sources of liquidity and would not have access to a central bank lender of last resort, as would a bank located in the United States or in certain other countries. In a liquidity crisis, commercial sources of liquidity probably would not be adequate to meet our liquidity needs which would result in the failure of our company and the intervention of the Panama banking authorities. The central banks of other countries in Latin America would not be authorized to act as lenders of last resort for us if we faced a liquidity crisis because we are a Panamanian bank and not located in their respective countries.

As a bank, we face interest rate risk which is caused by the mismatch in maturities of interest bearing assets and liabilities. If not properly managed, this mismatch can reduce net interest income as interest rates fluctuate.

As a bank, we face interest rate risk because interest bearing liabilities generally reprice more quickly than interest earning assets. In this liability sensitive position, failure to adequately manage this mismatch has the potential for reducing our net interest income during periods of increasing interest rates. During 2002, we took several steps to reduce the mismatch between assets and liabilities, including an increase in our net cash position and a change in the mix of our liabilities. As a result, at December 31, 2002, our cumulative maturity gap for the subsequent six months was positive. We attempt to manage our interest rate risk by matching, where possible, the terms and repricing characteristics of our interest rate sensitive assets and liabilities. However, this is not always possible given the needs of our borrowers

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and the available funding sources and thus we face the risk that mismatches will again occur in the future, and if they do, that sudden, or unexpectedly large, movements in interest rate levels will reduce our net interest income.

Because we lend in U.S. dollars to borrowers whose income generally is in local currencies, we face the risk that significant local currency devaluations and the imposition of local foreign exchange controls will make it more difficult for our borrowers to repay our loans on a timely basis.

Because we make U.S. dollar-denominated loans, we face the risk that declines in the value of our borrowers local currencies will increase the cost, in local currency terms, to our borrowers of acquiring dollars to repay our loans. We also face the risk that local country foreign exchange controls will restrict the ability of our borrowers to acquire dollars to repay our loans on a timely basis.

Sales of additional Class E shares into the public market could reduce their market price.

Sales of substantial amounts of Class E shares into the public market could adversely affect the market price of Class E shares. The holders of the Class B shares may at any time, and with no limitation, exchange Class B shares for Class E shares, at a rate of one Class B share for one Class E share. As of December 31, 2002, there were 3,746,721 Class B shares outstanding, and we are offering an additional 6,470,588 Class B shares, which could increase substantially through the Over-Subscription Privilege and purchases by Core Support Group members, as part of the Offer. In addition, because of the Over-Subscription Privilege and purchases by Core Support Group members, the number of Class E shares sold could substantially exceed the 14,705,833 Class E shares initially being offered in the Offer. As a result, if the Offer is fully subscribed, the total number of Class E shares outstanding in the public market, together with the total number of Class B shares which could be converted into Class E shares and available for sale in the market, could increase substantially, which could reduce the market price of the Class E shares.

The issuance of substantial additional Class A shares and/or Class B shares could substantially dilute the voting power of holders of Class E shares in the election of our directors.

Our company is offering an aggregate of 29,411,765 shares of our common stock consisting of 8,235,294 Class A shares, 6,470,588 Class B shares and 14,705,883 Class E shares. Although it is highly unlikely, it is theoretically possible because of the Over-Subscription Privilege, that all 29,411,765 shares could be sold as one of these classes of shares.

The holders of the Class A shares currently have the right to elect three of our directors, the holders of the Class B shares have the right to elect two directors and the holders of the Class E shares have the right to elect three directors. The holders of all shares, voting as a group, have the right to elect two directors. As a result, if sufficient Class A shares are issued as a result of the Offer and to Core Support Group members, the holders of Class A shares would be in a position to elect 5 of our 10 directors, and the holders of our Class A shares and Class B shares together would be able to elect 7 of our 10 directors, which in either case would substantially reduce the influence of the holders of our Class E shares.

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We face competition from banks that offer similar financing services and have greater resources and access to less expensive funding than we do. We also depend upon our competitors to fund and support our activities and if they cease to do so, it would reduce our funding and lending activities. Banking business consolidation in Latin America has reduced the number of our local customers and increased the competitive position of international banks.

Most of the competition we face in the trade financing area and within the markets we serve is from international banks, mostly European and North American, which provide similar financing services to those provided by us. These banks have substantially greater resources and access to less expensive funding than is the case with us, which puts us at a competitive disadvantage. Due to recent economic developments in the Latin American region, we have fewer competitors because many international banks have reduced their exposure in this region or have withdrawn from the region altogether. Although some of these international banks compete with us, they are also providers of funding for us and represent a source of business for our company. For example, most of these international banks provide credit facilities to us to finance our trade finance activity. We also lend to branches or subsidiaries of certain international banks in the Latin American region. If our competitors cease to fund and support our activities as they have done in the past, we may be unable to compete effectively in the markets that we serve. We estimate that international banks with which we compete in the Latin American region provided approximately $1,336.9 million of funding to us or 52% of our total liabilities at December 31, 2002. If these international banks ceased providing this funding to us for competitive reasons, we would be required to further reduce our credit portfolio and seek to replace this funding from other sources which may not be available or would be available only at a substantially higher interest cost.

A substantial consolidation of the banking business in Latin America has occurred and is continuing. This has reduced the number of local banks in the region, which are our primary customers for trade finance loans, and increased the concentration and importance of international banks and their agencies in the region which are our primary competitors. These changes in the business and in the markets of the Latin American region could potentially place us at a competitive disadvantage with respect to scale, resources and our ability to develop and diversify our sources of income.

Bank regulation to which we are subject in Panama and the Cayman Islands is less comprehensive than bank regulation in the United States, which could allow us to operate using less conservative banking practices than those required in the United States.

The Superintendence of Banks of Panama regulates, supervises and examines our company. In addition, BLADEX Cayman, our wholly-owned subsidiary, is regulated, supervised and examined by government authorities in the Cayman Islands and the New York Agency is regulated, supervised and examined by the New York Banking Department and the United States Federal Reserve Board. The regulation of our company and BLADEX Cayman by relevant Panamanian and Cayman Islands authorities differs from, and is less comprehensive than, the regulation generally imposed on banks in the United States by federal and state regulatory authorities, although banking regulation in Panama is moving towards uniformity with other, more comprehensive, bank regulatory systems, such as in the United States. Less comprehensive regulation of us by banking authorities in Panama and the Cayman Islands could allow us to operate using less conservative banking practices than would be the case if we were fully subject to U.S. banking regulations.

THE COMPANY

Our company, which has its headquarters in Panama City, Panama, is a specialized multinational bank established to finance trade in Latin America and the Caribbean. Our company was incorporated under the laws of Panama on November 30, 1977 and began business operations on January 2, 1979. Our

two primary subsidiaries are Banco Latinoamericano de Exportaciones, Limited (BLADEX), or BLADEX Cayman, and BLADEX Representacao Ltda. BLADEX Cayman, which is a wholly-owned subsidiary, was incorporated under the laws of the Cayman Islands (B.W.I.) on September 8, 1987. BLADEX Representacao Ltda., which was incorporated under the laws of Brazil on January 7, 2000, was established to act as our representative office in Brazil. In addition, we established an agency in the State of New York which began business operations on March 27, 1989. We refer to our agency in New York as the New York Agency. The New York Agency is principally engaged in obtaining inter-bank deposits and short-term borrowings to finance our short-term investments and foreign trade loans. We also have representative offices in Buenos Aires, Argentina and Mexico City, Mexico.

We are principally engaged in providing short-term trade-related financing to our stockholder banks and to other selected commercial banks in Latin America which then on-lend to businesses engaged in foreign trade. We also provide financing to state and private export institutions. The majority of our short-term financing is extended in connection with specific foreign trade transactions that have been identified to us. In connection with our strategy to address our capital and funding needs, we have amended our By-Laws to focus our lending activities on the financing of trade operations in Latin American countries. This provision of our By-Laws may not be amended without the vote of at least seven of our ten directors.

Our lending activities are funded by inter-bank deposits, primarily from central banks and financial institutions in the Latin American region. Our lending activities are also funded by short-term and medium-term borrowings and floating and fixed rate placements made with financial institutions and investors in Japan, Europe and North America. We do not provide retail banking services to the general public, such as retail savings accounts or checking accounts, and we do not take retail deposits.

THE OFFER

Terms of the Offer

We are issuing Rights to subscribe for shares to you, as a Record Date Shareholder. As a Record Date Shareholder, you are being issued __ non-transferable Rights for each full share of Common Stock owned by you on the Record Date. The number of Rights to be issued to Record Date Shareholders will be rounded up to the nearest whole number of Rights. Accordingly, no fractional shares will be issued upon the exercise of the Rights. The maximum number of Rights we will issue is ______. The actual number of Rights issued may vary based on the number of shares of Common Stock held by each beneficial owner due to rounding.

If you hold your shares through a broker-dealer, which in turn holds its shares through Cede & Co., or Cede, nominee for The Depository Trust Company, or DTC, or any other depository or nominee (in each instance, a Nominee Holder), your broker will be considered the holder of your Rights that are held by Cede, or other depository or nominee, for purposes of determining the number of shares you can acquire through the Offer.

The Rights entitle you to acquire at the Subscription Price one share of the class of shares to which the Rights relate for each whole Right you hold. Rights may be exercised at any time during the Subscription Period, which begins on April __, 2003 and ends at 5:00 p.m., New York City time, on April __, 2003 unless we, in consultation with the Soliciting Dealers, extend the Offer to a date not later than April __, 2003.

If you fully exercise all Rights initially issued to you, you will be entitled to subscribe for additional shares pursuant to the Over-Subscription Privilege. For purposes of determining the maximum

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number of shares that a Record Date Shareholder may acquire pursuant to the Offer, broker-dealers whose shares are held of record by Cede, the nominee for DTC, or by any other depository or nominee, will be considered the holders of the Rights that are held by Cede or another depository or nominee for Cede. Shares acquired through the Over-Subscription Privilege may be subject to allotment, which is more fully discussed below under Over-Subscription Privilege.

The Rights are non-transferable and will not be admitted for trading on the NYSE or any other exchange.

Purpose of the Offer

The purpose of the Offer is to raise needed equity capital for our company. The deterioration of our financial condition resulting from the debt default in Argentina and our credit exposure in that country, has reduced our asset base and capital, and has threatened our remaining investment-grade credit ratings. During 2002, we incurred charges of $323 million for credit loss provisions and impairment losses on securities relating to our Argentine credit portfolio. This resulted in a net loss for 2002 of $268.8 million and produced a decline in our common stockholders equity from $598 million at December 31, 2001 to $329 million at December 31, 2002. As a result, our Board of Directors believes that we must raise a minimum of $100 million of Tier 1 capital in order to provide us with a prudent level of capitalization in view of the environment in which we operate. The Board also believes that this additional capital is needed in order to allow us to retain our remaining investment-grade credit ratings from Moody s and Standard & Poor s and continue to fulfill in a significant way our primary role of providing trade financing to borrowers in Latin America. The Board has determined that the only realistic way to raise this amount of capital is through the offering and sale of additional shares of our Common Stock based on the market price of the Class E shares prior to the offering.

Our Board has conducted an exhaustive analysis, with the assistance of our financial advisors, BNP Paribas Securities Corp. and Deutsche Bank Securities Inc., of the alternatives available to us to address the need to obtain additional equity capital. These alternatives included continuing to operate our company without additional equity capital, attempting to raise some form of capital other than common equity that would be less dilutive to our existing shareholders and even the orderly winding down of our company s business. After careful consideration, the Board concluded that without additional Tier 1 capital, our company would not be able to obtain the funding needed to continue its trade financing business in a significant way, that acceptable alternative forms of capital were not available in the market, and that it was in the best interest of our shareholders that our company continue and grow its trade financing business.

The Board believes that with the additional capital, our company should be able to obtain the funding needed to operate its trade financing business at increased levels while maintaining our Tier 1 capital ratio at an acceptable level, although there is no assurance of success. Our Board firmly believes that this course of action is the best alternative for addressing the long-term interests of our shareholders.

The deterioration of our financial condition due to our Argentine credit exposure led the major rating agencies to downgrade our company s ratings during the first quarter of 2002. Following comprehensive management presentations regarding our recapitalization plan and business strategy, Moody s confirmed our company s Baa3/P3 investment-grade rating on July 31, 2002 and Standard & Poor s issued a statement maintaining our company s BBB-/A3 investment-grade rating on August 1, 2002, each with a negative outlook. On August 12, 2002, Fitch further reduced its ratings on our debt securities to below investment-grade (BB+/B), with a stable outlook. On January 22, 2003, Moody s changed its rating outlook from negative to stable. We believe that both Moody s and Standard & Poor s have, however, clearly conditioned their recent actions upon the receipt of adequate support of Core

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Support Group members and the successful completion of our planned capital injection. Our management has been maintaining periodic contact with the rating agencies to keep them informed of our company s financial condition as well as its recapitalization plan. As of the date of this Prospectus, our company has long term debt ratings of Baa3 from Moody s, BBB- from Standard & Poor s and BB+ from Fitch and short-term debt ratings of Prime 3, A-3 and B from Moody s, Standard & Poor s and Fitch, respectively.

Based on statements made by Standard & Poor s and Moody s, we believe that if we do not obtain additional Tier 1 equity capital it is highly likely that these rating agencies will reduce their ratings on our debt obligations to below investment-grade. Our ability to obtain the funding necessary to carry on our trade financing activities in Latin America at meaningful levels depends on maintaining our remaining investment-grade credit ratings. A reduction of these credit ratings to below investment-grade could, the Board believes, significantly reduce the availability of funding and increase our overall funding costs.

Over-Subscription Privilege

Shares not subscribed for by you and other Rights holders will be offered, by means of the Over-Subscription Privilege, to Record Date Shareholders who have exercised all exercisable Rights held by them by the Expiration Date and who wish to acquire more than the number of shares to which they are entitled in the Primary Subscription. This means that, although you will be given be a limited number of Rights, there is no limit on the number of shares that you can request under the Over-Subscription Privilege. Any shares acquired by you through the Over-Subscription Privilege will be of the same class as shares you currently own, even though they may represent shares of another class which were not purchased by other shareholders. If you wish to exercise the Over-Subscription Privilege, you should indicate, on the Exercise Form which you or your broker submits in order to exercise the Rights held by you, how many shares you are willing to acquire through the Over-Subscription Privilege. If sufficient shares remain, all over-subscriptions will be honored in full. To the extent sufficient shares are not available to honor all over-subscription requests, the available shares will be allocated among those who over-subscribe based on the number of Rights originally issued to them so that the number of shares issued to Record Date Shareholders who subscribe through the Over-Subscription Privilege will generally be in proportion to the number of shares owned by them in our company on the Record Date. The percentage of remaining shares each over-subscribing Record Date Shareholder may acquire may be rounded-up or down to result in delivery of whole shares. The allocation process may involve a series of allocations in order to assure that the total number of shares available for over-subscriptions is distributed on a pro rata basis.

The Subscription Price

The Subscription Price per share, which will be the same for the Class A, Class B and Class E shares being offered, will be the lowest of the three averages of the last reported sales price of a Class E share on the NYSE for three periods consisting of 90, 30 and 10 trading days, respectively, each ending on the Expiration Date. If you exercise your Rights, you will have no right to modify or rescind a purchase after the Subscription Agent has received a completed Exercise Form or Notice of Guaranteed Delivery.

The last reported sale price of a Class E share on the NYSE on April __, 2003 was ______.

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Core Support Group and Minimum Offering Size

The sale of any shares as a result of the Offer is conditioned on the receipt by us of aggregate share sale gross proceeds of at least $100 million. Twelve Core Support Group members have made non-binding preliminary commitments or expressions of interest to us to purchase for investment at the Subscription Price certain shares to the extent that Record Date Shareholders do not subscribe for all of the shares offered in the Offer. Seven of these Core Support Group members are Latin American government-owned banks, two are Latin American government-owned entities, two are multilateral organizations and one is a non-Latin American development bank. None of the Core Support Group members are U.S. persons. Five existing Class A shareholders, holding 35% of the outstanding Class A shares, and one existing Class B shareholder, holding 13% of the outstanding Class B shares, are Core Support Group members. The other six Core Support Group members are not currently shareholders of our company.

Based on statements made to us by Core Support Group members, which are not legally binding, we expect that most Core Support Group members that are Record Date Shareholders will fully subscribe for shares to which they are entitled in the Primary Subscription, but will not acquire additional shares through the Over-Subscription Privilege. We do not have any formalized binding commitments from any Core Support Group members to purchase any of the shares being offered, although we expect to receive written binding commitments in the form of Subscription Agreements from each of the Core Support Group members on or prior to the Expiration Date. Based on discussions and negotiations with most of the Core Support Group members, we expect that these Subscription Agreements will contain a number of conditions to the purchase of shares by the Core Support Group members, which are standard for placements of securities of this type, including compliance with representations and warranties regarding our financial condition and operations and the delivery of legal opinions at the closing. Therefore, we cannot assure you that we will be successful in reaching the minimum level of $100 million in gross proceeds required to sell any shares in the Offer.

Expiration of the Offer

The Offer will expire at 5:00 p.m., New York City time, on April __, 2003 unless extended by us, in consultation with the Soliciting Dealers, to a date not later than April __, 2003. Rights will expire on the Expiration Date and thereafter may not be exercised. Since the Subscription Price will not be determined until the Expiration Date, if you decide to acquire shares through the Primary Subscription or through the Over-Subscription Privilege, you will not know, when you make your decision, the purchase price for the shares.

Subscription Agent

The Subscription Agent is The Bank of New York. The Subscription Agent will receive for its administrative, processing, invoicing and other services as subscription agent, an amount estimated to be approximately $25,000, and reimbursement for all out-of-pocket expenses related to the Offer, which are estimated to be $10,000. Communications from you to the Subscription Agent should be directed to The Bank of New York, at the address below. **SIGNED EXERCISE FORMS SHOULD BE SENT TO** The Bank of New York**,** by one of the methods described below. We reserve the right to accept Exercise Forms actually received on a timely basis at the address listed below.

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BY FIRST CLASS MAIL OR EXPRESS MAIL:

The Bank of New York

Reorganization Services

P.O. Box 11248

Church Street Station

New York, New York 10286-1248

BY OVERNIGHT COURIER OR BY HAND:

The Bank of New York

Reorganization Services

101 Barclay Street

Receive and Deliver Window, Street Level

New York, New York 10286

Facsimile: (212) 815-6433

To Confirm Facsimile Only: (212) 815-6212

Delivery to an address other than the above will not be considered good delivery.

Information Agent

If you have any questions or requests for assistance, they may be directed to the Information Agent at its telephone number and address listed below:

The Information Agent for the Offer is:

Mackenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Toll Free: (800) 322-2885

or

Call Collect: (212) 929-5500

You may also contact your broker or Nominee Holder for information about the Offer.

The Information Agent will receive a fee estimated to be $6,500, plus reimbursement for all out-of-pocket expenses related to the Offer, which we estimate will be $500.

Method of Exercise of Rights

You may exercise your Rights by completing and signing the Exercise Form and mailing it in the envelope provided, or otherwise delivering the completed and signed Exercise Form to the Subscription Agent, together with payment for the shares as described below under Payment for Shares. You may also exercise your Rights by contacting a broker, banker or trust company who can arrange, on your behalf, to guarantee delivery of payment and of a properly completed and executed Exercise Form. A fee may be charged to you for this service. Fractional shares will not be issued upon the exercise of the Rights. Completed Exercise Forms must be received by the Subscription Agent prior to 5:00 p.m., New York City time, on the Expiration Date (unless payment is effected by means of a notice of guaranteed delivery as described below under Payment for Shares) at the offices of the Subscription Agent at the address appearing above.

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Shareholders Who Are Record Owners. If you are a record owner, you can choose between either option described under Payment for Shares below. If time is of the essence, option (2) will permit delivery of the Exercise Form and payment after the Expiration Date.

Shareholders Whose Shares Are Held By a Nominee. If your shares of Common Stock are held by a nominee such as a broker or trustee, you must contact the nominee to exercise your Rights. In that case, the nominee will complete the Exercise Form on your behalf and arrange for proper payment by one of the methods described under Payment for Shares below. The exercise of Rights through the Primary Subscription and the Over-Subscription Privilege may be effected through the facilities of DTC (Rights exercised through DTC are referred to as DTC Exercised Rights).

Nominees. If you are a Nominee who holds shares of Common Stock for the account of others, you should notify the respective beneficial owners of these shares as soon as possible to ascertain the beneficial owners intentions and to obtain instructions related to the Rights.

If the beneficial owner so instructs, you, as nominee, should complete the Exercise Form and submit it to the Subscription Agent with the proper payment described under Payment for Shares below.

Payment for Shares

If you acquire shares through the Primary Subscription or through the Over-Subscription Privilege, you may choose between the following methods of payment:

(1) You can send the Exercise Form together with payment for the shares acquired through the Primary Subscription and through the Over-Subscription Privilege to the Subscription Agent based on the Estimated Subscription Price of $____ per share. To be accepted, the payment, together with the executed Exercise Form, must be received by the Subscription Agent at the Subscription Agent s office shown above, prior to 5:00 p.m., New York City time, on the Expiration Date. The Subscription Agent will deposit all checks received by it prior to the Expiration Date into a segregated interest bearing account (which interest will accrue for our benefit) pending allocation and distribution of shares. **A PAYMENT USING THIS METHOD MUST BE IN UNITED STATES DOLLARS BY MONEY ORDER OR CHECK DRAWN ON A BANK LOCATED IN THE UNITED STATES, MUST BE PAYABLE TO BANCO LATINOAMERICANO DE EXPORTACIONES, S.A. AND MUST ACCOMPANY AN EXECUTED EXERCISE FORM FOR THE EXERCISE FORM TO BE ACCEPTED.**

(2) Alternatively, a subscription will be accepted by the Subscription Agent if, prior to 5:00 p.m., New York City time, on the Expiration Date, the Subscription Agent has received a notice of guaranteed delivery by facsimile (telecopy) or otherwise from a bank, a trust company or a New York Stock Exchange member guaranteeing delivery of the following:

- payment of the full Subscription Price for the shares subscribed for through the Primary Subscription and through the Over-Subscription Privilege and a properly completed and executed Exercise Form.

The Subscription Agent will not honor a notice of guaranteed delivery if a properly completed and executed Exercise Form and full payment for the shares subscribed for in the Primary Subscription and through the Over-Subscription Privilege are not received by the Subscription Agent by the close of

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business on the third NYSE trading day after the Expiration Date. The period from the Expiration Date until the close of business on this third day is referred to as the Protection Period.

Within ten NYSE trading days following the closing for the sale of shares in the Offer and to Core Support Group members, and subject to the receipt of full payment for your shares, if you are a record owner of your shares, a certificate representing the shares you have purchased will be sent by the Subscription Agent to you (or, if your shares are held by Cede or any other depository or nominee, confirmation of an account credit for the shares you have purchased). A notice containing the following will accompany the certificate:

- the number of shares acquired in the Primary Subscription,
- the number of shares, if any, acquired through the Over-Subscription Privilege,
- the per share and total purchase price for the shares and
- any excess to be refunded by us to you, based on the Subscription Price as determined on the Expiration Date.

If the Subscription Price is higher than the Estimated Subscription Price, an additional payment from you may be required. Any additional payment required from you must be received by the Subscription Agent within ten NYSE trading days after the closing. A notice will be sent by the Subscription Agent to you informing you of any additional amount payable by you to us. Any excess payment to be refunded by us to you will be mailed by the Subscription Agent to you as promptly as possible (and interest will not be payable thereon). All payments by you must be in U.S. dollars by money order or check drawn on a bank located in the United States and payable to Banco Latinoamericano de Exportaciones, S.A.

Whichever of the two methods described above is used, issuance of shares and delivery of certificates for shares are subject to collection of checks and clearance of actual payment.

You will have no right to modify or rescind your subscription after the Subscription Agent receives your completed Exercise Form or Notice of Guaranteed Delivery.

If you acquire shares through the Primary Subscription or the Over-Subscription Privilege, but do not make payment of any additional amounts due, we reserve the right to take remedial action, including (i) applying any payment actually received by us toward the purchase of the greatest number of shares which could be acquired by you upon exercise of the Primary Subscription and/or Over-Subscription Privilege; (ii) allocating the shares subject to subscription rights to one or more other Record Date Shareholders; (iii) selling all or a portion of the shares deliverable upon exercise of your subscription Rights on the open market and applying the proceeds to the amount owed and (iv) exercising any and all other rights or remedies to which we are entitled.

Foreign Restrictions

Exercise Forms will not be mailed to Class E shareholders whose addresses on our records are outside the United States. For these purposes the United States includes its territories and possessions and the District of Columbia. The Rights to which these Exercise Forms relate will be held by the Subscription Agent for the accounts of any foreign shareholders until instructions are received to exercise the Rights. If no instructions are received, the Rights of these foreign shareholders will expire.

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Non-Transferable Rights

The Rights are non-transferable and, therefore, may not be purchased or sold. The Rights will not be admitted for trading on the NYSE or any other exchange. However, the Class E shares to be issued pursuant to the Rights and issuable upon conversion of Class B shares issued pursuant to the Rights will be admitted for trading on the NYSE.

Delivery of Share Certificates

If your shares are held of record on your behalf or your broker-dealer s behalf by a depository or nominee, you will have your shares acquired in the Primary Subscription or through the Over-Subscription Privilege credited to the account of that depository or nominee. If you are the record owner of your shares, stock certificates for all shares acquired by you in the Primary Subscription or through the Over-Subscription Privilege will be mailed to you after your payment for the shares subscribed for has cleared, which clearance may take up to 15 days from the date of receipt.

U.S. Federal Income Tax Consequences

For U.S. federal income tax purposes, neither the receipt nor the exercise of the Rights by Record Date Shareholders will result in taxable income to holders of Common Stock, and no loss will be realized if the Rights expire without exercise.

Announcement of Results of the Offer

The final results of the Offer (*i.e.,* the Subscription Price, the number of shares issued and the aggregate amount of proceeds therefrom) will be made public through the issuance of a press release no later than five days after the closing for the sale of the shares.

USE OF PROCEEDS

If all the Rights are exercised in full at the Estimated Subscription Price of $______ per share, the net proceeds to us would be approximately $______, before deduction of fees and expenses incurred in connection with the Offer. We will not sell any shares in the Offer unless shares are sold, including shares sold to the Core Support Group, for an aggregate purchase price of at least $100 million. We will use the net proceeds of the Offer, and any proceeds received from Core Support Group members other than in the Primary Subscription, to fund our lending activities.

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CAPITALIZATION, INDEBTEDNESS AND CAPITAL RATIOS

The following table shows the short-, medium- and long-term debt and capitalization of our company at December 31, 2002 and as adjusted to give effect to the Offer and the purchase of shares by Core Support Group members.

	As of December 31, 2002	
	Actual	As Adjusted(1)
	(in thousands)	
Short-Term Debt	$ 647,344	$ 647,344
Medium- and Long-Term Debt	946,354	946,354
Floating and Fixed Rate Placements	339,139	339,139
Redeemable Preferred Stock $10 par value	12,476	12,476
Common Stockholders Equity(2)		
Common Stock, without par value(3)	133,235	266,635
Treasury Stock	(85,634)	(85,634)
Capital Surplus(3)	145,490	103,832
Capital Reserves	95,210	95,210
Retained Earnings	309,578	309,578
Earnings for Period	(268,838)	(268,838)
Other Comprehensive Income	(118)	(118)
Total Common Stockholders Equity	328,923	420,665
Total Common Stockholders Equity and Redeemable Preferred Stock	$ 341,399	433,141
Total Short-Term Debt, Medium- and Long-Term Debt (including Floating and Fixed Rate Placements) and Stockholders Equity	$ 2,274,237	$ 2,365,979
Panama Regulatory Capital to Risk Weighted Assets(4)	12.87%	16.35%
Tier 1 Capital to Risk-Weighted Assets(5)	15.26%	19.35%
Total Capital to Risk-Weighted Assets(5)	16.51%	20.60%

(1) Assumes that $100 million of shares has been issued at a price of $5.00 per share and that we receive $91.7 million of proceeds net of offering expenses of $8,258 thousand.

(2) Our company is authorized to issue up to 180 million common shares 40 million Class A shares, 40 million Class B shares and 100 million Class E shares. As of December 31, 2002, our issued and outstanding Common Stock consisted of 4,911,185 Class A shares, 3,746,721 Class B shares and 8,685,287 Class E shares, each with no par value.

(3) The new capital of $100 million is reflected in the as adjusted column as follows: a) Common Stock, without par value includes an additional $133,400 thousand resulting from multiplying 20 million new shares by their designated par value of $6.67 per share; b) Capital surplus reflects a reduction of $41,658 thousand resulting from multiplying 20 million new shares by the difference between their designated par value ($6.67 per share) and the assumed issue price ($5.00 per share), minus the offering expenses of $8,258 thousand. The designated par value of our shares

was determined in 1992 as the result of a 150 to 1 stock split effected prior to our 1992 initial public offering.

(4) The Panamanian Superintendence of Banks requires us to have capital equivalent to at least 8% of our total risk-weighted assets and off-balance sheet items. This requirement generally follows the Basle Accord guidelines on capital adequacy for banks.

(5) Calculated according to the U.S. Federal Reserve Board guidelines. We are not subject to these guidelines, and these ratios are presented for comparison purposes.

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THE OFFER AND LISTING

Markets and Price Range of Common Stock

On October 1, 1992, we concluded a public offering in the United States of 4,000,000 Class E shares. On December 22, 1994, we concluded another offering of 3,200,000 Class E shares. The Class E shares are listed on the NYSE under the symbol BLX. The Class E shares held by owners of record are represented by stock certificates while the Class E shares held by nominees for beneficial owners are held in registered or book-entry form. The following table shows the high and low sales prices of the Class E shares on the NYSE for the periods indicated.

	Price per Class E Share (in $)	
	High	**Low**
1998	44.00	12.94
1999	34.13	16.19
2000	34.88	21.25
2001	37.70	25.30
2002	29.70	2.00

	Price per Class E Share (in $)	
	High	**Low**
2000:		
First Quarter	$ 28.63	$ 21.81
Second Quarter	28.00	21.25
Third Quarter	28.50	25.50
Fourth Quarter	34.88	24.44
2001:		
First Quarter	34.75	30.60
Second Quarter	37.70	30.75
Third Quarter	37.40	27.43
Fourth Quarter	34.60	25.30
2002:		
First Quarter	29.70	15.50
Second Quarter	22.25	11.40
Third Quarter	12.50	2.00
Fourth Quarter	5.00	2.08
2003:		
First Quarter	6.54	4.01

	Price per Class E Share (in $)	
	High	**Low**

2002:		
October	3.65	2.08
November	3.84	2.70
December	5.00	3.45
2003:		
January	6.54	4.60
February	5.65	4.60
March	5.33	4.01

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The Class A shares and Class B shares were sold in private placements, are not listed on any exchange and are not publicly traded. The Class A shares and Class B shares are held in registered form, which means they are represented by physical stock certificates. The Class E shares, which constitute the only class of shares publicly traded, represented approximately 50% of the total shares of our Common Stock issued and outstanding at December 31, 2002.

Plan of Distribution

We are issuing Rights to Record Date Shareholders entitling the holders thereof to subscribe for up to an aggregate of 29,411,765 shares of our Common Stock. We are offering the shares of Common Stock underlying these Rights. All of the Class A shares being offered, the Class B and Class E shares being offered to non-U.S. persons and all shares being offered to Core Support Group members (some of whom are Class A and Class B shareholders) are being offered only outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended, or the Securities Act. The shares being offered outside the United States pursuant to the Offer have not been registered under the Securities Act for offer or sale as part of their initial distribution. The Class B and Class E shares being offered outside the United States have been registered under the Securities Act for resale from time to time in the United States in such transactions as require registration under the Securities Act.

We have retained BNP Paribas Securities Corp. and Deutsche Bank Securities Inc. to act as Soliciting Dealers in connection with the Offer. We will enter into a Soliciting Dealer Agreement with the Soliciting Dealers. In that agreement, we will agree to indemnify the Soliciting Dealers for liabilities under the federal securities and other laws.

The Soliciting Dealers have provided, and we expect will provide, investment banking, advisory and banking services to us for which they received, and we expect will receive, customary fees.

At any given time, the Soliciting Dealers may trade the Class E shares or other securities of ours for their own accounts or for the accounts of their customers, and accordingly, may hold a long or a short position in the Class E shares or such other securities.

Neither of the Soliciting Dealers assumes any responsibility for the accuracy or completeness of the information concerning our company or the Offer contained in this Prospectus or any documents incorporated herein by reference or for any failure by us to disclose events that may have occurred and may affect the significance or accuracy of such information.

We have agreed to pay all expenses incurred in connection with the registration of the securities we are offering.

Dilution

If you do not fully exercise your Rights you will, at the completion of the Offer, own a smaller proportional interest in our company than you owned prior to the Offer. In addition, an immediate dilution of the book value per share probably will be experienced by you as a result of the Offer and the purchase of shares by Core Support Group members because the Subscription Price probably will be less than the then current book value per share, and the number of shares outstanding after the Offer will increase by a greater percentage than the increase in the amount of our stockholders equity. Although we cannot state precisely the amount of this decrease in value because we do not know how many shares will be sold or what the Subscription Price will be, dilution could be substantial. For example, if the Subscription Price per share is $______ and the book value per share on the Expiration Date is $______, and if all 29,411,765 shares are sold, our book value per share would be reduced by approximately $______ per

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share or ______%. The actual Subscription Price and book value may be greater or less than the Subscription Price and book value we have assumed in this example.

If no existing shareholders, other than Core Support Group members, subscribe for shares in the Offer, it is possible, that all of the shares offered in the Offer, up to the amount of the eventual Core Support Group commitments, will be acquired by Core Support Group members. Since we expect that most of the shares which would be sold to Core Support Group members will be Class A and Class B shares, this would significantly dilute the existing voting rights of the Class E stockholders in the election of directors and other matters. For example, if the Core Support Group members purchase $100 million of shares at the Estimated Subscription Price of $______ per share, divided equally between Class A and Class B shares, there would be an aggregate of ________ shares outstanding after the Offer of which ________ would be Class A shares, ______ Class B shares and 8,685,287 Class E shares. The holders of the Class A shares currently have the right to elect three of our directors, the holders of the Class B shares have the right to elect two directors and the holders of the Class E shares have the right to elect three directors. The holders of all shares, voting as a group, have the right to elect two directors. If, as indicated in the example, ______ Class A shares and ______ Class B shares are purchased by Core Support Group members, the holders of Class A shares would be in a position to elect five of our ten directors and the holders of our Class A shares and Class B shares together would be able to elect seven of our ten directors, which in either case would substantially reduce the influence of the holders of our Class E shares.

Expenses of the Issue

The following table sets forth the estimated expenses in connection with this registration;

SEC Registration Fees	$	11,864
NYSE Listing Fees		46,543
Printing Registration Statement, Prospectus and Related Documents		130,000
Accounting Fees and Expenses		20,000
Legal Fees and Expenses		847,669
Financial Advisory and Structuring Fees and Expenses[(1)]		5,890,000
Information Agent Fees and Expenses		7,000
Subscription Agent Fees and Expenses		35,000
Soliciting Dealer Fees and Expenses		1,260,000
Miscellaneous		10,000
Total	$	8,258,076

(1) Includes fees of $4,500,000 and expenses of $250,000 to the Soliciting Dealers.

DESCRIPTION OF SECURITIES

The following summary describes our capital stock and certain provisions of our Articles of Incorporation and By-Laws. This summary does not purport to be complete and is subject to and qualified by reference to our Articles of Incorporation and By-Laws which have been filed as Exhibits to the Registration Statement of which this Prospectus is a part and the Panamanian Companies Law.

Common Stock

Our Common Stock is divided into three classes, Class A, Class B and Class E, all without par value. We are authorized to issue up to 180 million shares of Common Stock, consisting of 40 million Class A shares, 40 million Class B shares and 100 million Class E shares. Class A shares may be issued only to central banks of countries in Latin America, banks in which the State is the majority shareholder and other government agencies. Class B shares may be issued only to banks and financial institutions and Class E shares may be issued to any natural person or legal entity.

The shares of each of the three classes of Common Stock are identical in all respects except as to voting, ownership, conversion and preemptive rights. Subject to any preferences granted to holders of our shares of preferred stock, or Preferred Shares, including Preferred Shares of any new series that may be issued by us in the future, holders of shares of Common Stock are entitled to receive any dividends that the Board may in its discretion declare from funds that are legally available for this purpose. In the event of any liquidation, dissolution or winding-up of our company, each outstanding share of Common Stock entitles its holder to participate ratably in the assets remaining after payment of our liabilities and any liquidation preferences of the Preferred Shares.

Our Common Stock is divided into different classes to correspond to the different types of persons and institutions that own our Common Stock. Each class of Common Stock has specific voting rights related to the election of directors. See Voting Rights. In addition, the Class A shareholders, comprised of central banks and other governmental institutions, have supermajority voting rights with respect to certain significant matters, including any proposed change in the purpose and powers of our company. This means that, with respect to significant matters, three-fourths of the Class A shareholders must vote in favor of the proposal, in addition to a majority of all common shareholders present at the meeting. See Meetings of Stockholders. In part, these voting rights are intended to preserve the role of the central banks of Latin America in our company and thereby maintain and enhance our role in financing the foreign trade of Latin America.

The Class B shares are convertible into Class E shares at any time on a share-for-share basis.

The Class E shares are the only class of shares of Common Stock that are publicly traded. The Class E shares have no preemptive rights, are not subject to redemption and do not have the benefit of any sinking fund provisions. Each outstanding Class E share is entitled to one vote at meetings of our stockholders, except with respect to the election of directors. See Voting Rights. The holders of the Class E shares have the right of voting separately as a class to elect three directors. See Voting Rights.

Although we have no present plans to issue securities other than in the Offer, we may raise additional capital in the future by offerings of debt or equity securities, depending upon capital or other financial needs, market conditions and other factors at the time.

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Voting Rights

Each of the outstanding Class A shares, Class B shares and Class E shares are entitled to one vote at meetings of our common stockholders, except with respect to the election of directors. The Board currently consists of ten members, and there are two vacancies on the Board at the present time. The holders of each class of Common Stock have cumulative voting rights by class with respect to the election of directors. The holders of the Class A shares currently have the right to elect three directors, the holders of the Class B shares have the right to elect two directors and the Class E shares currently have the right to elect three directors. The holders of all shares of our Common Stock have the right to elect two directors, voting together as a group.

If on the first working day of any calendar year the total number of outstanding Class B shares decreases to between 10% and 20% of the total number of outstanding shares of Common Stock, the holders of Class B shares will be entitled to elect only one director as opposed to two. In addition, if on the first working day of any calendar year the percentage of outstanding Class B shares decreases to less than 10% of the total outstanding shares of Common Stock, the holders of Class B shares will lose their right to elect any directors. As of January 2, 2003, the Class B shares represented 22% of our outstanding shares. Vacancies in directorships resulting from a decrease in the percentage of Class B shares outstanding will be filled by directors elected by the holders of Class E shares.

The directors are elected for three-year terms and may be re-elected.

Dividends

The holders of our shares of Common Stock are entitled to receive dividends when and as declared by the Board. Under Panamanian law, we may only pay dividends out of retained earnings and capital surplus. We may not pay a cash dividend on the shares of Common Stock for any fiscal year until we have paid the minimum preferred dividend corresponding to any outstanding Preferred Shares for that year and for any prior year in which the full amount of the minimum dividend was not paid. See Preferred Shares. In addition, under the terms of our outstanding Preferred Shares, if the cash dividend paid to the holders of shares of Common Stock is greater than 8% of their deemed par value, the holders of these Preferred Shares receive a dividend equivalent to the same percentage.

Preemptive Rights

Each holder of the Class A and B shares has a preemptive right to subscribe, in proportion to the number of shares of the class owned by that holder, for additional shares of the same class issued by us, but only to the extent that the number of shares of that class issued in any calendar year exceeds 3% of the issued and outstanding shares of the respective class as of January 1 of the applicable year. Holders of Class E shares have no preemptive rights, although our Board is including the Class E shareholders in the Offer in order to insure that they are treated fairly.

Transfer and Transfer Agent

The Class A shares may be transferred freely among the designated institutions in Latin America eligible to own Class A shares. The Class B shares may be transferred freely among commercial banks, financial institutions and other entities eligible to own Class B shares. The Class E shares are freely transferable, without any restrictions.

The transfer agent and registrar for our Common Stock is The Bank of New York.

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Meetings of Stockholders

Shareholders meetings may be ordinary or extraordinary meetings. We are required to hold an annual general meeting of stockholders to (i) elect members of the Board, and (ii) transact any other business duly submitted for consideration at the meeting by the Board. The Board may call an extraordinary meeting when it believes it is necessary or when requested in writing by one or more holders of shares of Common Stock representing at least five percent of our issued and outstanding shares of Common Stock.

Notice for any shareholders meeting, whether ordinary or extraordinary, must be given to each registered stockholder with a right to vote at least thirty days before the date of the meeting. The notice must include the agenda for the meeting. At any shareholders meeting, shareholders may be represented by proxy. The designated proxy holder need not be a stockholder of our company and may be appointed by private or public document, with or without power of substitution.

The quorum for shareholders meetings consists of a majority of the holders of all of the issued and outstanding shares of our Common Stock taken as a whole. In order to be adopted resolutions must receive the affirmative vote of a majority of the shareholders present at the meeting. Whenever the necessary quorum for a shareholders meeting is not obtained, a shareholders meeting will be held on the alternative meeting date specified in the notice for the shareholders meeting. At this alternative meeting, a quorum is constituted by the shareholders present.

In addition to a majority vote of the holders of Common Stock present, a vote of three-fourths of the holders of all issued and outstanding Class A shares is required for the following actions:

- dissolution of our company,
- the amendment of certain articles contained in our Articles of Incorporation, including articles describing our purpose and powers, our authorized capital, quorum and voting requirements at our shareholders meetings, composition of the Board and our fundamental financial policies, and
- any merger or consolidation of our company.

The Board nominates candidates to fill vacancies in the directorships that represent the holders of the Class E shares and the holders of all classes of our Common Stock. Holders of the Class A shares and the Class B shares nominate candidates for the directorships that represent the Class A shares and the Class B shares, respectively.

Preferred Shares

We are authorized to issue up to 5 million Preferred Shares with a par value of $10.00 per share. Preferred Shares may be issued from time to time at the discretion of the Board, in such amounts, for such consideration and in such manner as the Board may determine. In addition, the

Board is authorized to determine any additional designations, preferences, privileges, restrictions or other characteristics (including provisions regarding redemption by a sinking fund or otherwise) upon issuance of Preferred Shares. The Board has the right to issue Preferred Shares in bearer or registered form.

On April 30, 1986, the Board declared a dividend on the 61,333.99 then-outstanding shares of our Common Stock equal to nine Preferred Shares for each share of Common Stock. As a result of this dividend, a total of 552,078 Preferred Shares were issued. Additional Preferred Shares were issued in the

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form of stock dividends on the shares of Common Stock on April 28, 1987, April 29, 1988, April 18, 1989, April 25, 1990 and April 15, 1992. At December 31, 2002, there were 1,247,560 outstanding Preferred Shares. The terms of all outstanding Preferred Shares are identical.

Outstanding Preferred Shares receive an annual minimum dividend of 8% of their par value. Under Panamanian law, we may only pay dividends out of current and retained earnings and capital surplus. We may not pay a cash dividend on the shares of Common Stock for any fiscal year until we have paid the minimum dividend on any Preferred Shares for that year and for any prior year in which the full amount of the minimum dividend was not paid. In addition, under the terms of our outstanding Preferred Shares, if the cash dividend paid to the holders of shares of Common Stock is greater than 8% of their deemed par value, the holders of the Preferred Shares receive a dividend equivalent to the same percentage. In August 1992, our stockholders voted to amend our Articles of Incorporation to effect a 150-to-1 stock split of all outstanding shares of Common Stock and to change the par value of each outstanding share from $1,000 per share ($6.67 after the stock split) to no par value. In connection with that change, the Board adopted resolutions governing the outstanding Preferred Shares to deem the par value of each outstanding share of Common Stock to be $6.67 for purposes of determining whether holders of outstanding Preferred Shares are entitled to additional dividends.

In the event we fail to pay the aggregate total amount of the minimum dividend corresponding to Preferred Shares in a given fiscal year and during the subsequent two years, or if we, on the due date for payment of dividends on Preferred Shares, fail to make any payment to the sinking fund or fail to redeem the Preferred Shares, and provided always that at the time of the occurrence of any of the above the Preferred Shares represent at least ten percent (10%) of the total paid-in capital of our company, the holders of the Preferred Shares will be entitled to elect a member of the Board. This Board member will continue in office until the circumstances that caused the appointment of this Board member are remedied.

We are required to make sinking fund payments for the benefit of the holders of our outstanding Preferred Shares by May 15 in each of the years 2002 through 2006, each payment to be in an amount equal to 20% of the aggregate par value of the Preferred Shares outstanding as of April 30, 2002. The sinking fund payments will be used to redeem the Preferred Shares at their par value ($10.00 per share) on May 15 in each of the years 2002 through 2006. The first of these sinking fund payments was made on May 15, 2002 and 304,639 Preferred Shares were redeemed on the same date.

Although we have no present plans to issue any additional Preferred Shares, the Board could issue additional Preferred Shares having designations, preferences, privileges or other characteristics which could adversely affect the holders of shares of our Common Stock.

ADDITIONAL INFORMATION

Share Capital

At a special meeting held on November 18, 2002, our shareholders approved an amendment to our Articles of Incorporation which increased the number of shares of Common Stock our company is authorized to issue from 70 million to 180 million, consisting of 40 million Class A shares, 40 million Class B shares and 100 million Class E shares. In addition, we are authorized to issue up to 5 million Preferred Shares with a par value of $10.00 per share. Information with respect to the number of shares of Common Stock outstanding at the beginning and at the end of the last three fiscal years is presented in the Consolidated Statements of Changes in Common Stockholders Equity for the years ended

December 31, 2002, 2001 and 2000 included in our Annual Report on Form 20-F as incorporated by reference into this Prospectus.

At December 31, 2002, there were 17,343,193 shares of our Common Stock outstanding, all of which were fully paid.

Since 1995, we have from time to time granted options to eligible executive officers and employees under two stock option plans, the 1995 Stock Option Plan and the 1999 Stock Option Plan. The following table shows information regarding the stock options granted under these two plans since their inception. Each exercise price listed below is equal to the fair market value of the Class E shares on the dates on which the options related thereto were granted under the plans.

Date of Grant	Number of shares	Exercise Price
October 13, 1995	90,000	$ 41.56
January 31, 1997	70,000	51.19
February 6, 1998	70,000	42.56
February 4, 1999	70,000	23.03
February 4, 2000	70,000	23.16
February 6, 2001	70,000	32.88

As of December 31, 2002, 62,766 Class E shares have been purchased through the exercise of stock options granted under the 1995 Stock Option Plan and the 1999 Stock Option Plan.

In addition, we have two employee stock programs through which a broader group of our employees can acquire stock. As of December 31, 2002, an aggregate number of 9,236 deferred equity units, representing the right to acquire the same number of Class E shares or the economic equivalent thereof, have been granted to eligible employees under these two stock programs. As of the date of this Prospectus, no deferred equity units granted under these programs have vested.

At December 31, 2002, there were 1,247,560 Preferred Shares outstanding.

Articles of Incorporation

We recently amended our Articles of Incorporation to increase our company s authorized share capital so that we could sell the shares in the Offer and to Core Support Group members. At a special meeting held on November 18, 2002, our shareholders approved an amendment to our Articles of Incorporation which increased the number of shares of Common Stock our company is authorized to issue from 70 million to 180 million, consisting of 40 million Class A shares, 40 million Class B shares and 100 million Class E shares.

We also recently amended our By-laws to focus our lending activities on the financing of trade operations in Latin American countries.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the Securities and Exchange Commission, or the SEC, on Form F-2 under the U.S. Securities Act of 1933, as amended, relating to the securities offered by this Prospectus. This Prospectus, which is a part of that registration statement, does not contain all of the information contained in the registration statement. For more information about our company and the securities offered by this Prospectus, you should refer to the registration statement and to the exhibits filed with it. Statements contained or incorporated by reference in this Prospectus regarding the contents of any contract or other document are not necessarily complete, and, where the contract or other document is an exhibit to the registration statement or incorporated or deemed to be incorporated by reference, each of these statements is qualified in all respects by the provisions of the actual contract or other document.

You may review a copy of the registration statement without charge, and copies of all or any portion of the registration statement can be obtained, at the public reference facilities of the SEC, 450 Fifth Street, N.W., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. We recently began filing reports with the SEC electronically. The reports that we have filed with the SEC electronically are available to you over the Internet at the SEC website at http://www.sec.gov.

We are currently subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, applicable to a foreign private issuer, and accordingly file or furnish reports, including annual reports on Form 20-F, reports on Form 6-K, and other information with the SEC. These reports and other information filed can be inspected at, and subject to the payment of any required fees, copies may be obtained from, the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington D.C. 20549. These reports and other information may also be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting and shortswing profit recovery provisions of the Exchange Act. The rules of the New York Stock Exchange may require us to solicit proxies from our shareholders under some circumstances.

The Class E shares are listed on the New York Stock Exchange under the symbol BLX. Additional information concerning us and our securities may be available through the New York Stock Exchange.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference information into this Prospectus. This means that we can disclose important information to you by referring you to another document that we have filed separately with the SEC. The information incorporated by reference is considered to be part of this Prospectus, and certain later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

- our annual report on Form 20-F for the fiscal year ended December 31, 2002, filed with the SEC on February 24, 2003, and

- any future information contained in filings on Form 6-K made with the SEC under the Exchange Act, after the date of this Prospectus and prior to the termination of the Offer, that is identified in such forms as being incorporated into this Prospectus.

We also are delivering copies of our annual report on Form 20-F for the fiscal year ended December 31, 2002 to you along with this Prospectus.

We will provide, without charge, to each person, including any beneficial owner, to whom this Prospectus is delivered, upon written or oral request, a copy of any document incorporated by reference

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into this Prospectus but not delivered with this Prospectus. You should direct your request for these filings to Carlos Yap, Senior Vice President Finance, BLADEX, as follows: (i) if by regular mail, to Apartado 6-1497, El Dorado, Panama City, Republic of Panama, and (ii) if by courier service, to Calle 50 y Aquilino de la Guardia, Panama City, Republic of Panama. Telephone requests may be directed to Mr. Yap at 011-507-210-8581. Written requests may also be faxed to Mr. Yap at 011-507-269-6333 or sent via e-mail to cyap@blx.com. You may also obtain these filings electronically at the SEC s worldwide website at http://www.sec.gov/edgarhp/htm.

FORWARD LOOKING STATEMENTS

Any statements in this Prospectus which discuss our expectations, intentions and strategies for the future are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements may be identified by words or phrases such as anticipate, believe, estimate, expect, intend, project, will likely result, are expected to, will continue, is antic projected or similar expressions. These statements are based on information available to us on the date of this Prospectus and we assume no obligation to update them. The forward-looking statements in this Prospectus refer to the adequacy of our allowance for credit losses to address the likely impact of the Argentine crisis and other credit risks on our loan portfolio, the necessity of making additional provision for credit losses, our ability to achieve future growth, our ability to execute a planned recapitalization and our expectations about maintaining our investment-grade credit ratings. These forward-looking statements reflect our current views about future events and are not a guarantee of future performance. Several factors could cause future results to differ materially from those expressed in any forward-looking statements in this Prospectus. Among the factors that can cause actual performance and results to differ materially are as follows:

- a decline in the willingness of international lenders and depositors to provide funding to us, causing a further contraction of our credit portfolio;
- adverse economic or political developments in the Latin American region, particularly in Argentina or Brazil, which could increase the level of impaired loans in our loan portfolio and, if sufficiently severe, result in our allowance for probable credit losses being insufficient to cover losses in the portfolio;
- an unwillingness on the part of our existing shareholders or other investors to invest additional equity capital in our company;
- unanticipated developments with respect to international banking transactions (including, among other things, interest rate spreads and competitive conditions);
- a change in our credit ratings; and
- events in Argentina, Brazil or other countries in the Latin American region unfolding in a manner that is detrimental to our company or which result in adequate liquidity being unavailable to us.

Assumptions relating to these factors involve judgments about such things as future economic, political, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements in this Prospectus are reasonable, any of the assumptions could prove inaccurate. Therefore, there can be no assurance that the results contemplated in forward-looking information will be realized. We intend that the forward-looking statements contained in

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this Prospectus be subject to the safe harbors created by Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation with limited liability (*sociedad anónima*) organized under the laws of Panama. Most of our directors and officers and certain advisors named in this Prospectus reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon these persons or enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

Arias, Fábrega y Fábrega, our Panamanian legal counsel, has advised us that there is doubt as to the enforceability, in original actions in Panamanian courts, of liabilities predicated solely on the United States federal securities laws. Arias, Fábrega y Fábrega also advised us that there is doubt as to the enforceability, in Panamanian courts, of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

LEGAL MATTERS

The validity of the shares offered by this Prospectus will be passed upon by Arias, Fábrega y Fábrega, our Panamanian counsel. Certain legal matters governed by U.S. law will be passed upon by Clifford Chance US LLP, our U.S. counsel, and by Cleary, Gottlieb, Steen & Hamilton, U.S. counsel to the Soliciting Dealers.

EXPERTS

Our consolidated financial statements as of December 31, 2002 and 2001, and for each of the years in the three-year period ended December 31, 2002, have been incorporated by reference in this Prospectus in reliance upon the report of KPMG Peat Marwick, independent certified public accountants, and upon the authority of said firm as experts in accounting and auditing. This report of KPMG Peat Marwick (also incorporated by reference in this Prospectus) contains explanatory paragraphs relating to uncertainties regarding the crisis created by the prolonged deterioration in Argentina s economic and political environment and our significant credit exposure with Argentine debtors, and also refers to a change in the method of accounting for derivative instruments and hedging activities.

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PART II

Item 8. Indemnification of Directors and Officers.

The Board and stockholders have adopted resolutions requiring us to indemnify any officer or director of our company against expenses and liabilities incurred by such director or officer in connection with any action, suit or proceeding brought by reason of his or her capacity as such, if such director or officer acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of our company and, with respect to any criminal action or proceeding, if such director or officer had no reason to believe his or her conduct was unlawful. Our company has obtained liability insurance on behalf of its directors and officers against any liability asserted against them in their capacity as such, whether or not the company would have power to indemnify them against such liability.

Item 9. Exhibits.

The following documents are filed with or incorporated by reference in this Registration Statement.

1.1	Form of Soliciting Dealer Agreement**
3.1	Articles of Incorporation*
3.2	By-Laws*
4.1	Specimen Stock Certificate representing the Class E Shares, incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Company s Registration Statement on Form F-1 (Registration No. 33-50240)
4.2	Form of Exercise Form**
4.3	Form of Notice of Guaranteed Delivery**
5.1	Opinion of Arias, Fábrega y Fábrega**
10.1	Forms of Subscription Agreements for Core Support Group members**
10.2	Form of Rights Agency Agreement**
10.3	Information Agency Agreement**
23.1	Consent of KPMG Peat Marwick (accountants)
23.2	Consent of Arias, Fábrega y Fábrega (included in Exhibit 5.1)
24.1	Power of Attorney**

* Filed as an exhibit to the Form 20-F for the fiscal year 2002.

** Filed as an exhibit to Amendment No. 1 to Form F-2 filed on February 24, 2003.

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Item 10. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the Securities Act); (ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; or (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; *provided, however,* that (i) and (ii) do not apply if the information required to be included in a post-effective amendment by (i) and (ii) is contained in periodic reports filed by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for the purpose of determining any liability under the Securities Act, each filing of the Registrant s annual report pursuant to Section 13(a) or 15(d) of the Exchange Act that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered herein, and the offering of securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities under the Securities Act may be permitted for Directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of the expenses incurred or paid by a Director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such Director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) The undersigned Registrant hereby undertakes to deliver or cause to be delivered with the Prospectus, to each person to which the Prospectus is sent or given: the Registrant s latest filing on Form 20-F.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-2 and has duly caused this Amendment to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Panama City, Republic of Panama on this 2nd day of April, 2003.

BANCO LATINOAMERICANO DE EXPORTACIONES, S.A.

By: /s/ José Castañeda

José Castañeda

Chief Executive Officer

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Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

(Signature)	(Title)	(Date)
Guillermo Guémez García	Director	April __, 2003
* Rubens V. Amaral Jr.	Director	April 2, 2003
* Sebatiao Toledo Cunha	Director	April 2, 2003
* Ernesto A. Bruggia	Director	April 2, 2003
* Mario Covo	Director	April 2, 2003
* Will C. Wood	Director	April 2, 2003
* Gonzalo Menéndez Duque	Director	April 2, 2003
/s/ José Castañeda	Director	April 2, 2003
José Castañeda	Chief Executive Officer (CEO) (Principal Executive Officer)	
* Jaime Rivera	Executive Vice President - Chief Operating Officer (COO)	April 2, 2003
* Christopher Hesketh	Senior Vice President - Treasury	April 2, 2003
* Carlos Yap	Senior Vice President - Finance	April 2, 2003

*	Senior Vice President - Comptroller	April 2, 2003
Miguel Moreno		
*	Authorized U.S. Representative	April 2, 2003
Pedro Toll		

*By: /s/ José Castañeda

José Castañeda

Attorney-in-Fact

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