CANAL DE PANAMÁ

Annual Report 2020

Contents

Message from the Chairman of the Board of Directors

Aristides Royo Sánchez

Minister for Canal Affairs and Chairman of the Board of Directors

The year 2020 was a year of intense work, a true turning point in the face of the impact of climate change, a trade war between two of our main customers (China and the United States of America) and the SARS-Cov-2 virus responsible for the Coronavirus (COVID- 19) pandemic. These events created a world stage of uncertainty and affected the Panama Canal.

In the face of the scenarios that have arisen derived from COVID-19, the Board of Directors, which I am honored to preside, has continued with its responsibilities without interruptions. The Board, whose main objective is to preserve our workforce's health, has made decisions within its constitutional and regulatory powers, to ensure the Canal's continuous operation.

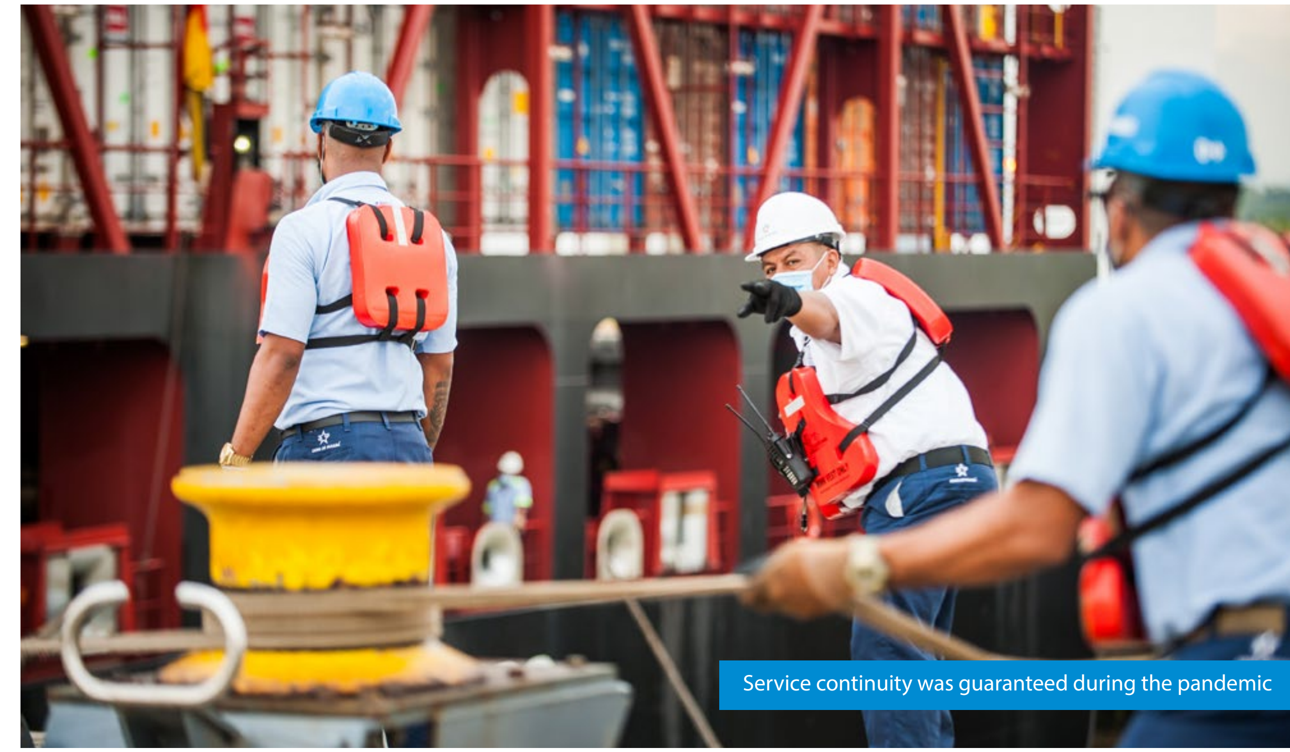
In the fulfillment of this mission and to exercise the functions established by the Panama Canal Authority Organic Law, I must mention some elements that allowed us, during this fiscal year, to maintain the stability and solidity necessary to continue with the proposed growth lines, reinforcing operational capacity and flexibility, as characteristics that, together with our sense of teamwork, make a difference in the competitive horizon within the maritime transportation sector.

After a decade of planning, the expanded Canal is today an engineering benchmark and a symbol of the Canal´s commitment with providing an excellent service to world maritime trade. Four years after its inauguration, we continue to celebrate the expansion's success, as it continues to exceed the maritime industry´s expectations. This confidence was also demonstrated by being recognized as one of the 50 most significant and influential projects of the last 50 years in the recently published Project Management Institute (PMI) list, which recognizes the projects that have transformed the business landscape and its components in areas such as technology, healthcare, infrastructure, architecture, finance and entertainment.

Due to its nature, as an organization with a workforce of close to 10,000 employees who live in different regions of the country, the Panama Canal has worked hand in hand with the Ministry of Health (MINSA), to handle possible COVID-19 cases, as well as to supply personal protection equipment to allow employees to comply with health recommendations.

On March 27, for humanitarian reasons, in the midst of the COVID-19 pandemic, the Panama Canal facilitated, under extraordinary conditions, for the cruise ship MS Zaandam to tie up at an anchorage in Panamanian waters to be assisted by the MS Rotterdam to transfer passengers without COVID-19 symptoms. Subsequently, both cruises proceeded with their transits, allowing the passage of one ship after the other, reducing their voyage 2.5 days to reach a port in the United States east coast.

In 2020, the National Assembly of the Republic of Panama approved the Panama Canal´s budget for fiscal year 2021, which projects revenues in the order of B/.3,308.9 million[1] and estimates contributions to the National Treasury of close to B/.1,760.3 million, as well as other payments to the Panamanian State in the amount of B/.220.1 million.



Service continuity was guaranteed during the pandemic

It is important to note that on December 31, 2019, Panama celebrated 20 years of the Canal's transfer to Panamanian hands, a period during which the interoceanic waterway has contributed to the country's growth and development, and it is recognized that the waterway's main challenge is water security.

In September, specifications for the prequalification of those interested in participating as bidders in the tender for the design, construction and implementation of an optimized water resource management system were published. This project will have a transformational impact on the country and will ensure water availability for human consumption and Canal operations. It also intended to improve the Canal's short, medium and long term competitiveness, considering the sustainable development and social/environmental management of the area.

As part of the Panama Canal Authority´s commitment with the different communities in the province of Colon, a new bridge over Gatun Dam was opened to vehicular traffic. This bridge makes the Canal´s operation more efficient and complements connectivity to Costa Abajo of Colón, as it is located next to the Atlantic Bridge.

Also, after a 50-year wait, 500 residents in the towns of Escobal and Cristobal in the province of Colon, received property titles that certify them as legitimate owners of the land they occupy.

To guarantee the process, documents, formalities simplification and reduction related to the arrival, stay in port and departure of vessels on international voyages, the Panama Canal and the Panama Maritime Authority updated the Single Maritime Window agreement, with the inclusion of a risk analysis carried out by these Government entities.

In preparation to comply with the implementation of the new sulfur limit in marine fuels issued by the International Maritime Organization (IMO), which came into force on January 1, 2020, the Panama Canal was directly involved with various entities, among them,

[1] The monetary unit of the Republic of Panama, which is at par and of free exchange with the U.S. dollar (USD $).

Dry bulker transiting the Culebra Cut

the Panama Maritime Authority and the National Energy Secretariat, thus joining the fight to reduce environmental pollution.

After reviewing and evaluating the Canal's vision and mission in the short, medium and long term, a new organizational structure was deemed necessary to respond to the new challenges to be faced by the waterway. These challenges include water supply for human consumption and the efficient operation of the Canal to serve the organization´s strategies and action plans that must be implemented to maximize the waterway's competitiveness. The new structure came into force on October 1.

This fiscal year, the Board of Directors had the opportunity to meet with the Panama Canal Advisory Board in the United States, in Savannah, Georgia, where they discussed the Canal's performance, its strategic vision, maritime trends and the water situation.

The Panama Canal continues to analyze the events or economic scenarios that could impact the interoceanic route, formulating new strategies to continue to strengthen operations efficiency, safety and reliability, as well as the route´s competitiveness. These actions go hand in hand with its commitment to the country to guarantee water resources for Canal operations and human consumption. Thanks to the Canal employees' determination and organization set forth in the face of an already complex scenario and despite the difficult situation resulting from COVID-19, the Panama Canal has been able to operate efficiently and uninterruptedly to contribute to the country's economy and development.

We are aware that new challenges lie ahead and the Panama Canal, with its customers' trust and the support of the Panamanian people, will have to address important challenges with extraordinary dedication. We have renewed enthusiasm to face the future successfully, to ensure the Canal´s prosperity and to increase our customer's confidence, in order to uphold the Panama Canal as a global connectivity leader and our country's driver.

Neopanamax vessel in the Agua Clara Locks

Members of the Board of Directors

Aristides Royo Sánchez
Chairman of the Board of Directors

Roberto Ábrego
Director

Ricardo Manuel Arango
Director

Henri M. Mizrachi K.
Director

Óscar Ramírez
Director

Lourdes del Carmen Castillo
Director

Jorge L. González
Director

Nicolás González Revilla
Director

Enrique Sánchez Salmon
Director

Francisco Sierra Fábrega
Director

Alberto Vallarino Clément
Director

Message from the Administrator

Ricaurte *(Catín)* Vásquez M.

Administrator
Panama Canal

Canal, Resiliency and Strategic Vision

The Canal´s recovery capacity this year is evidence of its world class experience and workforce whose capabilities have been honed for decades. Notwithstanding new challenges in 2020, we maintained our commitment to creating, capturing and offering value to our clients and to Panama.

What did we do? Guided by its century-long experience, the Panama Canal prepared early on to guarantee a safe and continuous service, to function uninterruptedly in the midst of the COVID-19 pandemic.

Following the recommendations of World Health Organization (WHO) and in coordination with MINSA, new procedures were added to the existing infectious disease protocols to withstand the COVID-19 pandemic.

Also with the support of MINSA, a COVID Management Center (CMC) was established to detect and isolate positive cases.

COVID-19 preventive measures were implemented in March; at the end of fiscal year 2020, positive cases did not impact transit operations.

Undoubtedly, our workforce is our most valuable resource. Consequently, renegotiations of collective bargaining agreements are in progress with strict adherence to Canal norms and regulations.

Our View of the Future

A few months before the pandemic, the Panama Canal management team announced the implementation of a fresh water surcharge. Such an action, unprecedented in the history of the Canal, assigned a value to the use of this resource in its operation.

Shortly thereafter, the Chicago Mercantile Exchange (CME) in the United States announced an ensuing water futures market, stressing the need to properly manage this resource. This event validated the Canal's freshwater surcharge initiative to guarantee the waterway's competitiveness and efficiency.

2020, a Year with Ups and Downs

Fiscal year 2020 began with six months of stable traffic. Between October 2019 and March 2020, there was a 4.0 percent increase in transits and a 7.0 percent increase in tonnage compared to forecasts.

After the pandemic wreaked havoc on global trade, this solid Canal performance during the first half of the fiscal year set the foundations to build on for the rest of the year.

The new coronavirus caused global economic slowdown, resulting in a 20.0 percent decline in transits between May and July. During this time, the demand in segments such as vehicle carriers and liquefied natural gas (LNG) carriers decreased towards the end of fiscal year 2020, registering PC/UMS (Panama Canal Universal Measurement System) tonnage below projections in the order of 21.0 and 15.0 percent, respectively.

The passenger vessel segment closed the year with 10.0% less PC/UMS tons than expected due to cruise lines cancelling their operations at the beginning of the spring season.

Better Times

These results were partially mitigated by some segments which continued to generate constant traffic. For instance, dry bulk registered 21.0 percent more than the expected PC/UMS tonnage due to an increased need for grains and raw materials. Liquefied petroleum gas (LPG) carriers registered 27.0 percent more PC/UMS tonnage than anticipated as a result of greater demand for gas for domestic use, given its favorable price, as well as its consumption as raw material and as a naphtha substitute.

To the extent that the global economy started to recover, with changes in supply chains and traditional trade patterns, we worked with customers to find ways to meet their needs.

In April, the Panama Canal implemented steps such as deferrals of transit reservation payments to allow clients to have greater liquidity. In the case of passenger vessels, customers were granted an exemption of these tariffs, as this segment was the most impacted during the pandemic. These measures continued for six additional months, after December 31, 2020.

The Panama Canal as well as all ports in America, Asia and Europe, experienced an upturn in arrivals, which coincided with the high seasons of the container and LNG segments.

The Canal implemented adjustments in its operations to cope with the temporary traffic increase. Such adjustments included increasing the operations labor force while always following safety protocols to allow more vessels that arrived without reservations to transit daily. In addition, the Canal began to share waiting periods with clients.

Water Solutions and Solidarity

At the beginning of 2020, when the freshwater surcharge was implemented, the Canal announced its intention to develop a portfolio of projects that would guarantee water availability. In September, a request for bids was published for a new water management system and a contract is expected to be awarded towards the end of 2021.

On the other hand, we started the fiscal year offering a 50-ft draft, the highest level allowed in the Neopanamax locks and four feet more than in December 2019.

2020 drew to an end with good news. On December 21, we accepted the World Economic Forum's invitation to support the efforts of the Transportation Industry and Supply Chain Action Group in the distribution of COVID-19 vaccines and medical supplies to Panama, Latin America and the Caribbean.

While the pandemic situation improves, the Panama Canal will continue to emphasize the safety and competitiveness of the route. It is indeed this focus which enabled our customers to continue to transport products and essential raw materials as a pledge to a better future.

Executive Management Team

Ricaurte Vásquez Morales
Administrator

Dalva Arosemena
Vice Presidency (acting) for Human Resources

Agenor Correa
Vice Presidency for General Counsel

May Jane Coulson
Vice Presidency (acting) for Corporate Affairs and Communications

Miguel Lorenzo
Vice Presidency for Engineering and Services

Ilya Espino de Marotta
Deputy Administrator and Vice Presidency for Transit Business

Daniel Muschett
Vice Presidency (interim) for Water and Environment

Rafael Pirro
Vice Presidency for Complementary Businesses

José Reyes
Vice Presidency for Strategic Administration

Víctor Vial
Vice Presidency for Finance

Advisory Board

From left to right: Richard Gabrielson, Alberto Alemán Zubieta, Philippos A. Embiricos, Wang Haimin, Admiral William J. Flanagan, Joe R. Reeder, Gerhard E. Kurz, Andrónico M. Luksic, Mario F. Maffei, Salvador A. Jurado, Hani Mahmassani and Jorge L. Quijano.

The Advisory Board is the advisory council that provides guidance to the Panama Canal Board of Directors and senior management in decision-making matters related to the international public service provided by the Canal as well as its needs, requirements and improvements, in compliance with the Political Constitution of the Republic of Panama, the Panama Canal Organic Law and its regulations.

It is made up of 19 distinguished personalities from the maritime and commercial international community, whose advice is based on their knowledge and vast experience. Its members are: the honorable Admiral William J. Flanagan, Chairman of the Advisory Board; Alberto Alemán Zubieta; Phillipos A. Embiricos; Richard Gabrielson; Flemming R. Jacobs; Salvador A. Jurado; Yasumi Kudo; Gerhard E. Kurz; Andrónico M. Luksic; Mario F. Maffei; William A. O'Neil; Jorge L. Quijano; Hani Mahmassani; Albert Nahmad; Joe R. Reeder; Mikio Sasaki; Tommy Thomsen; Chee Chen Tung and Wang Haimin.

The Advisory Board meets at the summons of the Panama Canal Board of Directors at least once a year. In fiscal year 2020, the City of Savannah, Georgia, United States was the venue for the XXXII Advisory Board Meeting, on December 3-4. The Administrator gave a presentation on the Panama Canal performance and operation, and on future projects and plans for the waterway. During the meeting, the Advisory Board presented comments and recommendations on the Canal´s performance, its strategic vision, maritime trends, and water availability. The meeting in Savannah allowed the Board of Directors to visit the Kinder Morgan Liquefied Natural Gas Plant located on Elba Island and the Port of Savannah, managed by the Georgia Port Authority.

The Panama Canal, at a Glance

It has been 106 years during which the Canal has accelerated international commerce and world maritime transportation.

To maintain the competitiveness of the waterway, the Canal invests in its people, infrastructure, technology and processes to ensure long term sustainability while strengthening its commitment as a one of the main assets of the country.

Strategic Focus

Vision

"Global connectivity leader and driver of Panama's progress"

Mission

"Contribute sustainably to Panama's prosperity, through our valuable team, connecting production with the global markets, to bring value to our customers"

Annual Key Numbers:

- **PC/UMS tons: 475.2 million**
- **Transits: 13,369**
- **Total revenues: B/.3,443 million**
- **Investment: B/.47 million**
- **Workforce: 9,510 employees**
- **Direct contributions to the National Treasury: B/.1,824 million**
- **Total contributions to the national economy: B/.2,765 million**

Strategic Objectives

Objective 1
Grow our business by increasing the tonnage to generate more revenue.

Objective 2
Diversify revenues through strategic businesses.

Objective 3
Maximize business profitability through efficiency, productivity and effective risk management.

Objective 4
Strengthen customer relations and business intelligence.

Objective 5
Ensure water volume and quality for human consumption and for Canal operations.

Objective 6
Guarantee the use of best business practices and good corporate governance.

Objective 7
Transform the organization by developing its capabilities and competencies.

Objective 8
Proactively strengthen the image, respect and credibility of the Canal.

Values

Transparency • Reliability • Responsibility • Honesty • Loyalty • Competitiveness

Our Human Capital

For the Canal workforce, the driver of the waterway´s progress, the development and strengthening of its capacity is fundamental. This comprehensive approach is part of the strategies, policies and regulations that favor performance improvement, empowerment and productivity.

Workforce Indicators

Staffing

9,510 employees
46 years - average age

Diversity and Gender

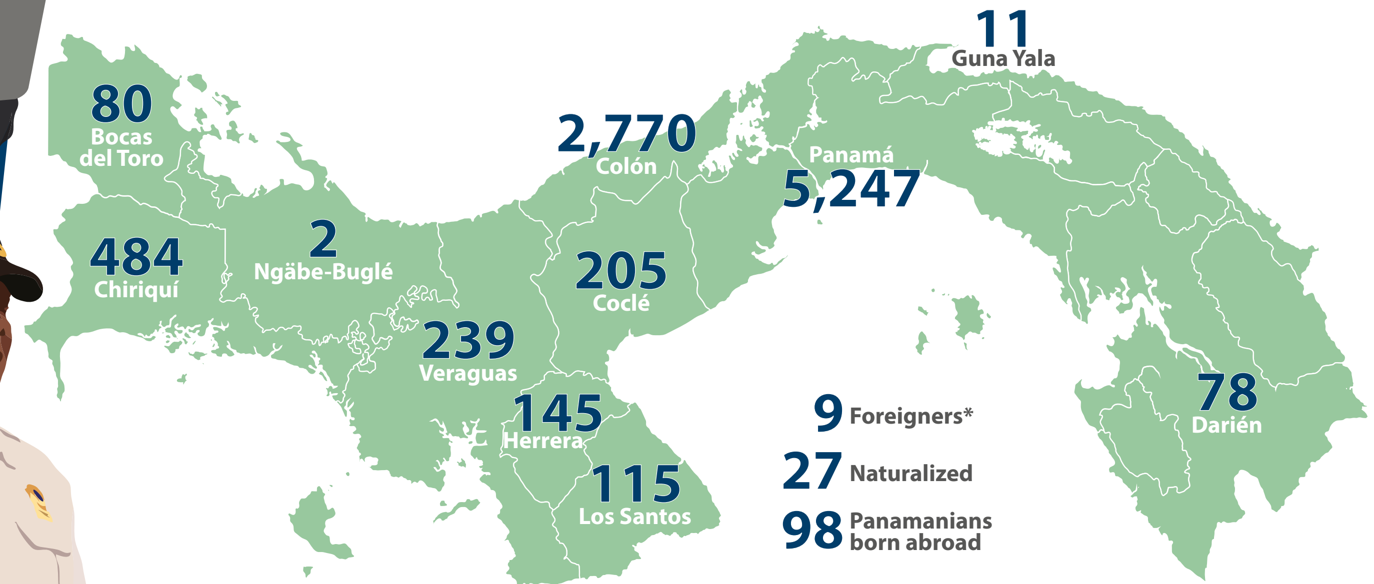
1,165 (12 %)

8,345 (88 %)

129 women in leadership positions

184 women in non-traditional positions

Employees by province or place of origin



*Permanent employees hired prior to December 31st 1999 with the right to continue working according to legal provision.

Employee performing maintenance work

An Unprecedented Year

Challenges in the Midst of the Pandemic

Since the beginning of 2020, the COVID-19 pandemic drastically impacted the world and forced human beings, organizations and nations to review their behavior patterns, habits and customs. Consequently, the Panama Canal had to adapt quickly, demonstrate capacity and resilience in the face of adversity, in order to protect its personnel and maintain an uninterrupted service to world trade.

Human capital management required an unprecedented effort by professionals from different disciplines to safeguard the health of workers in the face of the pandemic. For this, a baseline of critical positions was identified for the operation of the Canal under these particular emergency conditions. In addition, new working hours were established and transportation services for employees were adapted with additional routes and time schedules.

Starting March, biosafety guidelines communications were prepared together with procedures and protocols to guide the workforce and guarantee the employees' safety and health in the workplace. Correct handling of positive cases was also covered and included the continuous supply of personal protection implements for the workforce. Temperature control was implemented as a requirement to enter Canal facilities and a health census was conducted and more than 4,000 employees voluntarily participated.

Temperature measurement as part of the protocols to enter facilities

From late March to early June, workers whose positions were not identified as part of the critical baseline for the operation of the waterway were on paid leave due to the national quarantine. Necessary measures were adopted to ensure the continuous supply of sanitary protection implements for all workers.

Teleworking was established for positions whose functions could be performed remotely. Teams of professionals in facilities management and occupational safety inspected all buildings and work areas to specify the required adaptation measures and mark the areas to ensure the required distance. A constant inspection program was established to ensure compliance with protection measures and a continuous internal communication campaign.

> "The Panama Canal is as resilient as its personnel, and quickly adapted to the new normal, including new safety protocols, challenges related to teleworking and, in particular, uncertainty"
>
> *UNCTAD[2] highlighted in its Maritime Report for 2020, focused on the effects of the pandemic.*

[2] United Nations Conference on Trade and Development

Crisis Management

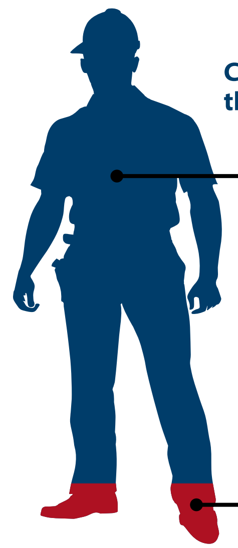
A COVID Management Center (CMC) was set up, whose mission is to tend to 24-hour reports of positive cases, suspected contagion and close contacts. The center manages the nebulization processes of the areas, indicates care procedures to give immediate response to workers, and compiles and analyzes all the related information to determine the measures of attention and mitigation.

In addition, an agreement was established with national health authorities to include in the CMC a team of doctors, who dictate decisions on infections and quarantine or isolation measures, provide traceability and follow-up to each case and guarantee compliance with all health procedures faced with this crisis.

+10,000 serological tests applied to employees

+1,500 employees received psychological support

+5,500 influenza vaccines applied to the workforce

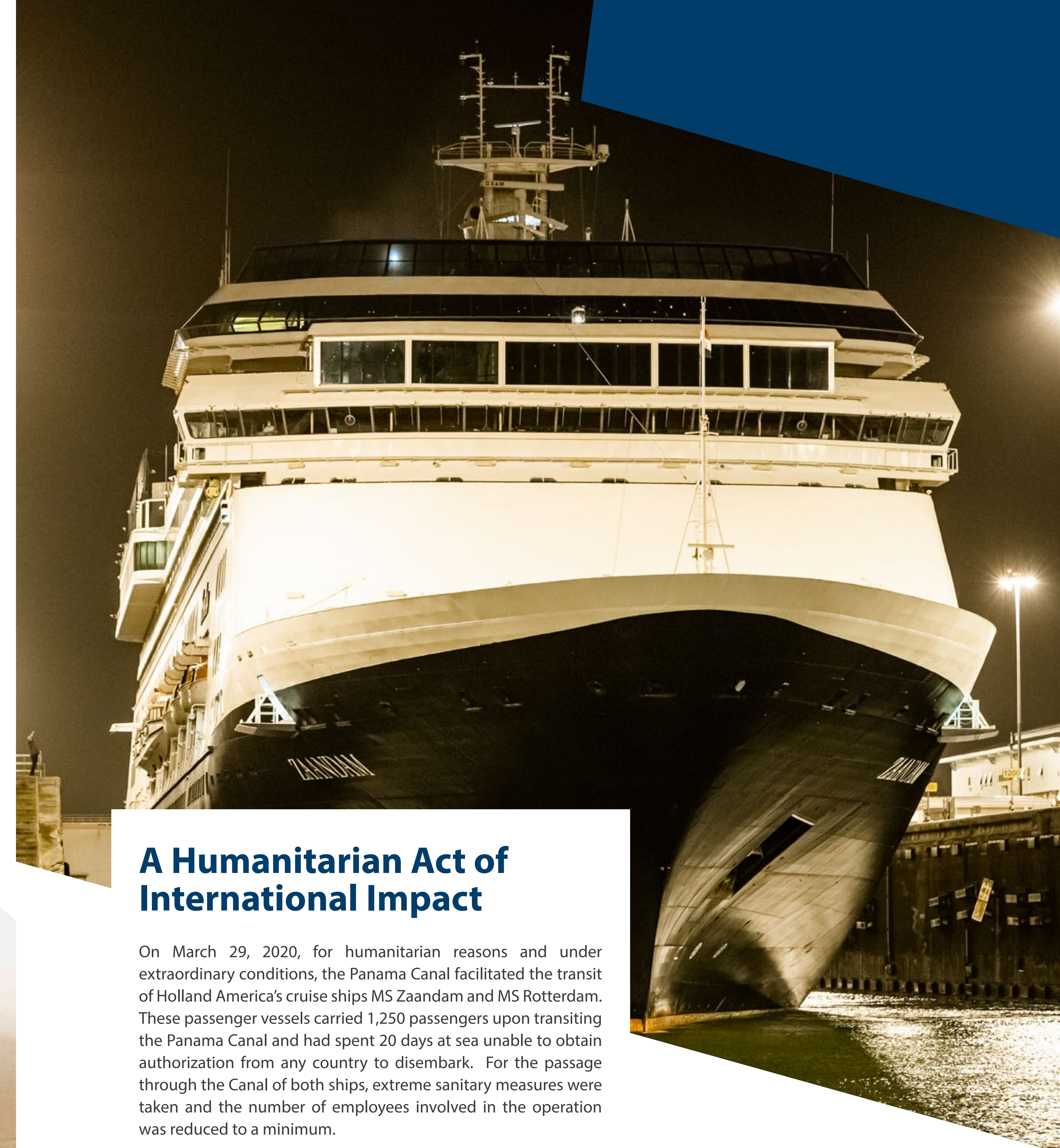


COVID-19 situation from March through September 2020

9,510 employees

502 confirmed cases (5.3%)

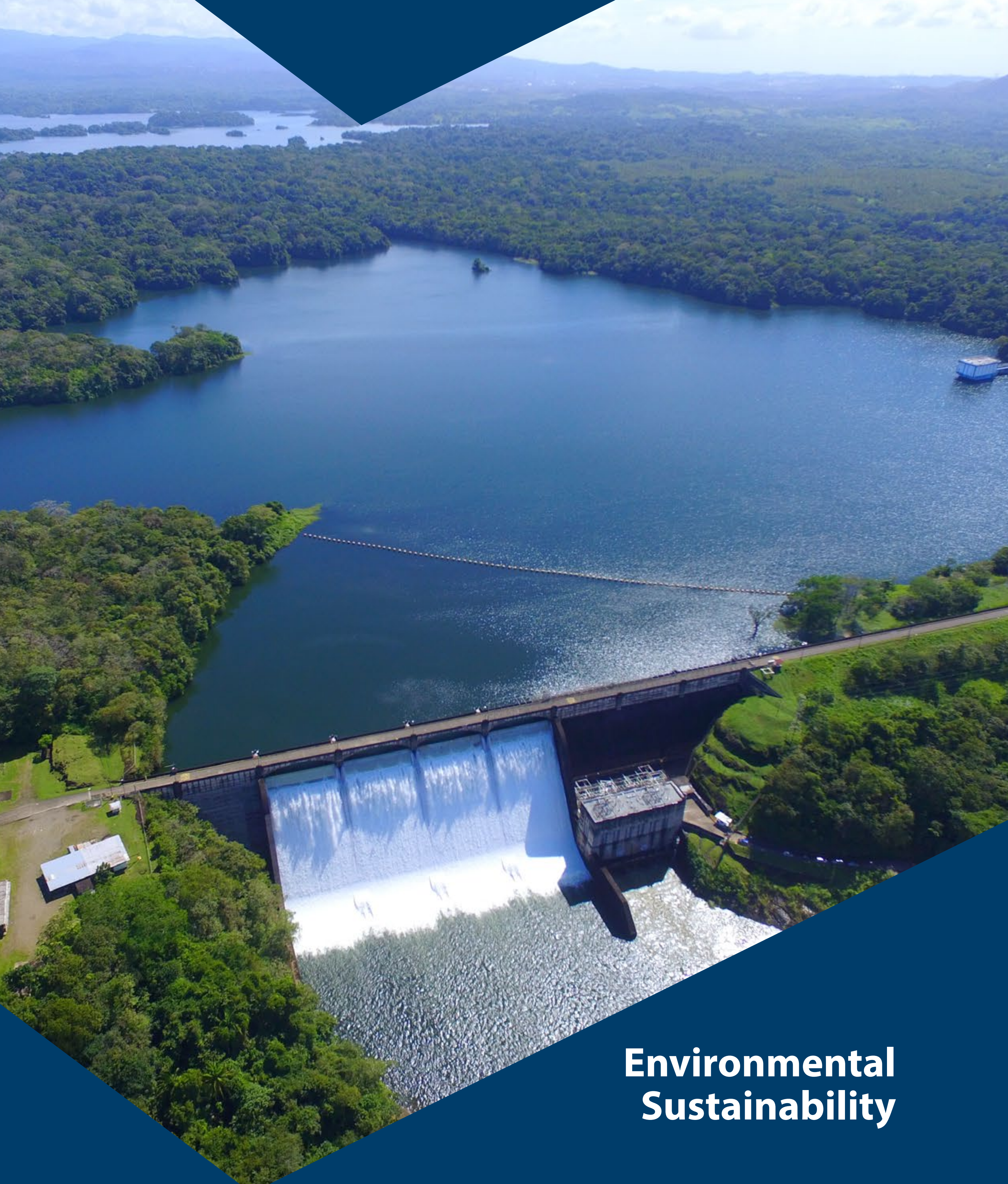
Serological tests applied on site



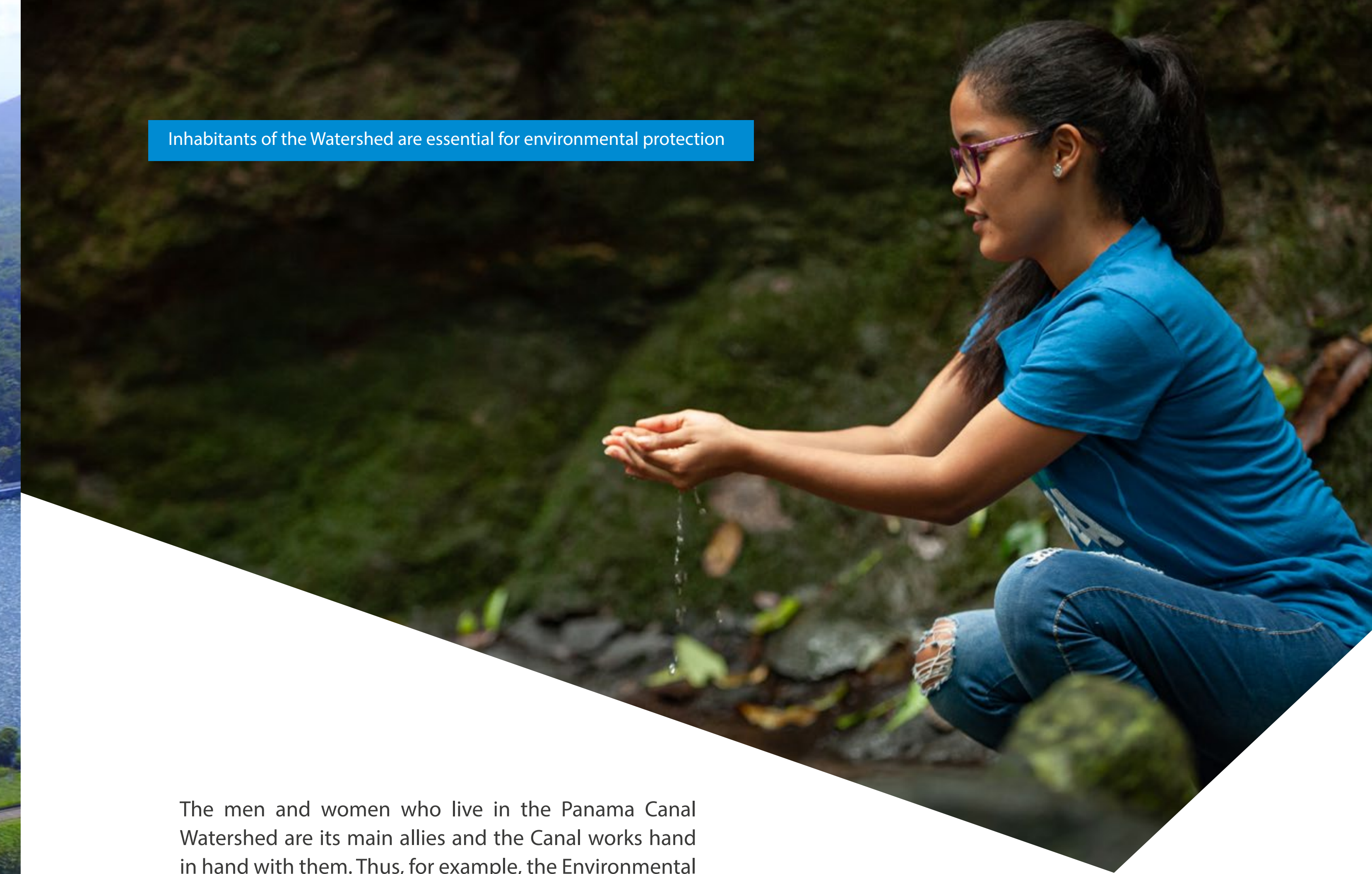
A Humanitarian Act of International Impact

On March 29, 2020, for humanitarian reasons and under extraordinary conditions, the Panama Canal facilitated the transit of Holland America's cruise ships MS Zaandam and MS Rotterdam. These passenger vessels carried 1,250 passengers upon transiting the Panama Canal and had spent 20 days at sea unable to obtain authorization from any country to disembark. For the passage through the Canal of both ships, extreme sanitary measures were taken and the number of employees involved in the operation was reduced to a minimum.

Despite the fact that the dimensions of both ships allow their transit through the Panamax locks, it was decided to route both vessels through the Neopanamax locks, since these locks do not employ locomotives and thus require less operators.



Environmental Sustainability



Inhabitants of the Watershed are essential for environmental protection

The men and women who live in the Panama Canal Watershed are its main allies and the Canal works hand in hand with them. Thus, for example, the Environmental Economic Incentives Program (PEIA) achieved important goals in fiscal year 2020.

During this period, some 168,975 seedlings were planted on 637 hectares, with the participation of 112 new beneficiaries in the different modalities of reforestation for conservation, enrichment of scrub, agroforestry and forest grazing systems.

A total of 500 hectares were incorporated into the payment method for forest protection, which benefits 68 new owners who have forests on their properties. Additionally, the Coffee Growers Association of the Cirí Grande and Trinidad River sub-basins of the Canal Watershed (ACACPA) produced 150 thousand seedlings that were purchased for the execution of the projects, boosting the local economy.

In compliance with the environmental commitments of the Expansion Program compensation reforestation projects, 454.5 hectares located in the provinces of Darién, Herrera and Los Santos, which were already reforested, were preserved.

Data 2009 to 2020

8,375 improved hectares

2,000 hectares under forest protection

Panama Canal Watershed Sustainability

One of the most successful strategies of environmental management is the organization and training of young people who live in the Basin. The Youth Network for the Environment and the Panama Canal Watershed provide a space for their participation and empowerment for the protection and conservation of water resources. The Network is made up of about 120 young people, consisting in approximately 20 from each of the six hydric regions of the Watershed.

Despite the pandemic, this group continued to work virtually and completed environmental management, social media and leadership workshops. In their interest to raise awareness about the importance of environmental protection and in collaboration with the National Association for the Conservation of Nature, they organized a contest with different categories such as photography, video, social networks and reportage, to promote the Youth Network´s effort and message.


Members of the Youth Network for the Environment and the Panama Canal Watershed

These youth leaders are also the engine that drives the programs executed by the Panama Canal for the benefit of the communities.

At the beginning of February 2020, the Panama Canal and the Technological University of Panama (UTP) organized the forum "Climate Crisis and Water: A Challenge for All". The forum's purpose was to raise awareness about the value of water and it had Panamanian scientists as well as Canal specialists as participants. These groups highlighted, from their perspectives, the importance of water for society and the national economy.

The Green Route

The Panama Canal contributed efforts to the new IMO 2020 environmental regulation related to air quality and reduction of pollutant gases with the use of low sulfur fuel, by promoting traceability to the utilization of low sulfur fuel during transits.

The IMO 2020, in effect since January 1, 2020, is about the global reduction in sulphur content in the vessels' fuel to 0.5 percent, compared to the current 3.5 percent. This measure allowed the Panama Canal to strengthen its Green Route strategy by promoting greater environmental consciousness among users of the waterway while protecting the ecosystem.

15,000 Tons of CO_2 reduced by lesser vessels' speed contributed to the protection of cetaceans

25% Transit of "green ships" using low carbon fuels

1,300 Vessels that applied to the "Green Connection" environmental program

100 Vessels eligible for the use of liquefied natural gas fuel

60 Vessels distinguished with the "Green Connection Award"

Contact with the Community

Online Education

During this fiscal year, the main liaison project with the Panamanian community was an alliance with the Ministry of Education to plan, execute and transmit eight educational modules on Canal TV and other local channels. The content of this educational program covered topics such as Canal history, operation, administration, economics, watershed, climate crisis, water management and future projects.

Cadaster and Land Property Titles Program

For the Panama Canal, the land and the formalization of property titles is a commitment to its owners, the inhabitants of the watershed. The program has been significantly furthered since its origin in 2002 in the former western region of the watershed.

672 land deeds delivered

6,276 hectares of land cadastered in Colon and the West region of Panama


Canal Watershed inhabitants obtain their property ownership titles

Environmental Economic Incentives

With this program, the Panama Canal develops models of green economy, unprecedented in the region and the country which cover aspects such as conservation, agroforestry, forest grazing systems and scrub enrichment.

122 **towns in the Panama Canal watershed**

168,975 **seedlings planted**

112 **new farms benefited from the incentives**


Coffee crops in the Canal Watershed

Social participation

Water management can only be effective if it is participatory. During 2020 the Panama Canal promoted dialogue and participation among all groups in the watershed.

60 youngsters from the Panama Canal watershed participated in virtual workshops about environmental management and the COVID-19 pandemic, communication techniques and the use of social media.

90 community leaders were trained in community food safety in six sub-basins of the Canal watershed.

100 delegates of consulting councils were trained in water management.

150 educators participated in environmental education workshops.

Water Capacity

The Vice Presidency for Water and Environment completed technical, environmental and social studies related to the project established by the contract for the development of a conceptual design for a multipurpose reservoir and complementary projects for the overall management of the Indio River basin. This contract was signed by the aforementioned office on behalf of the Panama Canal and the Ministry of Environment (later assigned to the Ministry of the Presidency). In addition, this office held at least 27 meetings as part of the implementation of the communication plan at the community level in the Indio River basin, as well as interinstitutional coordination meetings at all levels. Likewise, the results of studies and executed projects were posted in the Panama Canal's website **https://micanaldepanama.com/plan-nacional-de-seguridad-hidrica/estudios/**

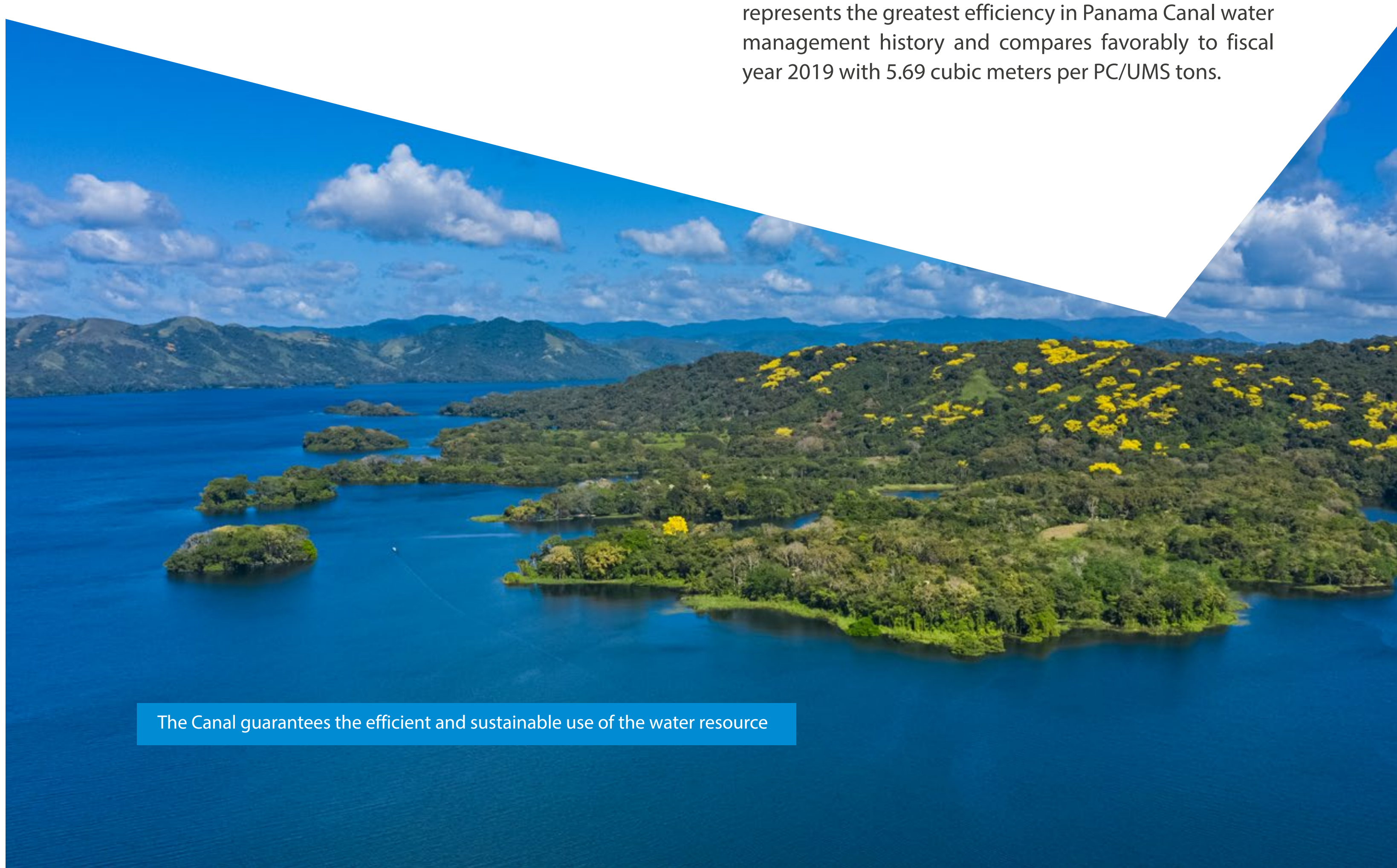
Water Quality

As part of the Water Quality Surveillance and Monitoring Program (PVSCA for its acronym in Spanish), the Panama Canal performed 15,758 tests to Watershed water samples from 65 monthly samples collected to ensure its quality for human consumption, across 40 monitoring stations. Additionally, 540 calculations of the Water Quality Index (ICA for its acronym in Spanish) were made, resulting in 98 percent good to excellent and 2 percent regular quality. There were no evaluations deemed of bad quality.

Water Quantity

Water is a finite natural resource, and as such, it requires efficient and sustainable use, compatible with an appropriate handling of the environment and its natural resources. The increasing demand for water for human consumption and Canal operations, coupled with the need to preserve the natural environment, make efficient water management crucial for the Panama Canal.

During fiscal year 2020, an average water volume of 5.06 cubic meters was used per PC/UMS tons. This represents the greatest efficiency in Panama Canal water management history and compares favorably to fiscal year 2019 with 5.69 cubic meters per PC/UMS tons.

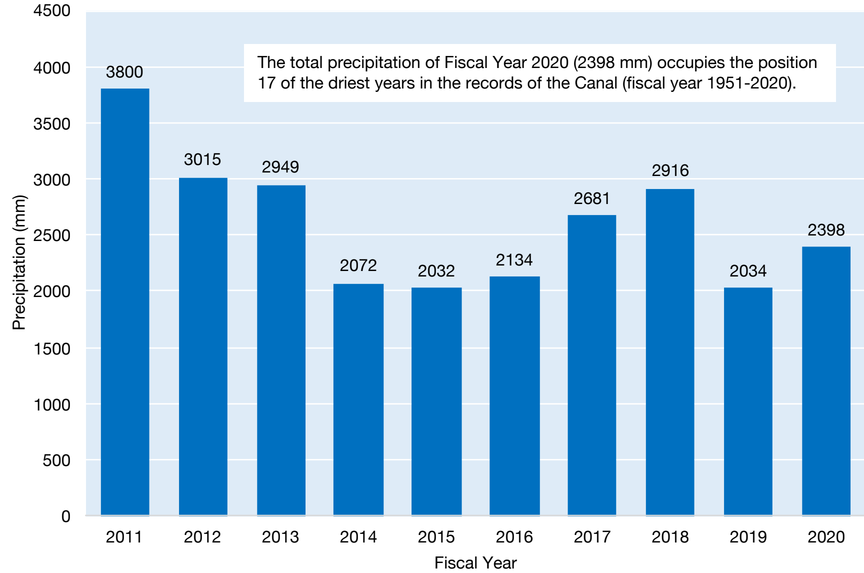

The Canal guarantees the efficient and sustainable use of the water resource

Precipitation During Fiscal Year 2020

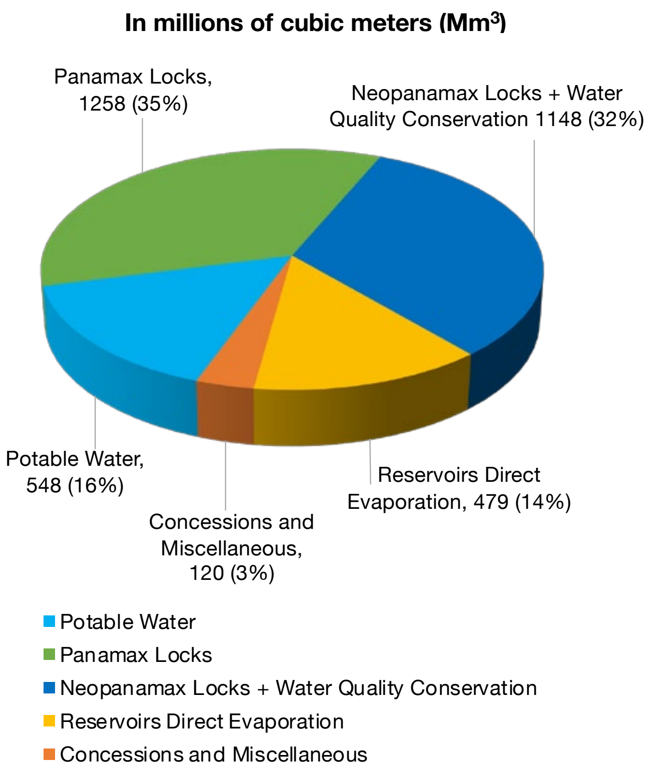
The effects of variations in weather and rainfall patterns were felt in the Canal watershed. For instance, the average annual precipitation was among the lowest levels in the last ten years, as shown in the following graph.

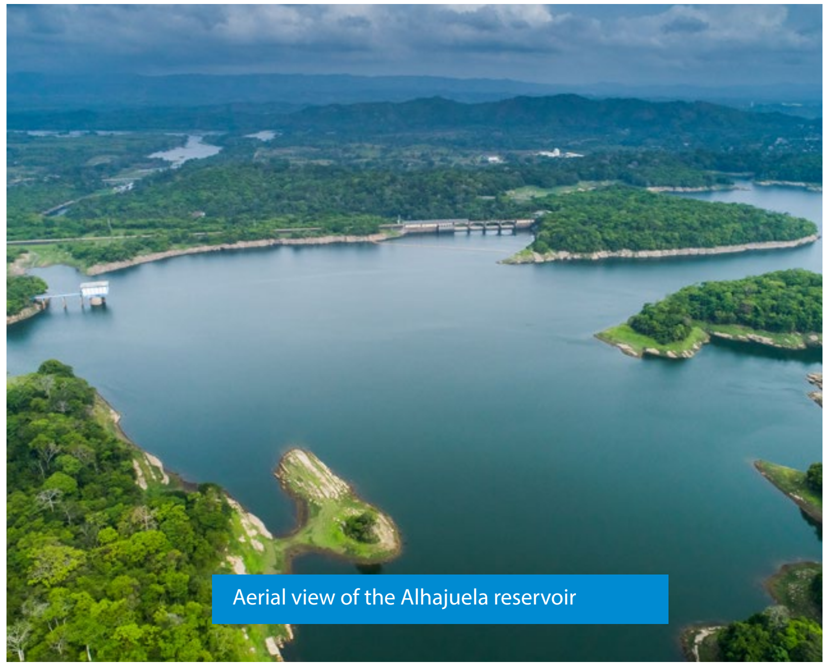
Precipitation in the Canal Watershed was initially influenced by neutral conditions in the tropical Pacific Ocean region and then by the occurrence of the La Niña event, declared in September 2020. The 2,402 millimeters of precipitation registered during fiscal year 2020 rank 17th among the driest fiscal years.

Graph 1. Precipitation by fiscal year from 2011 to 2020 in the Panama Canal Watershed

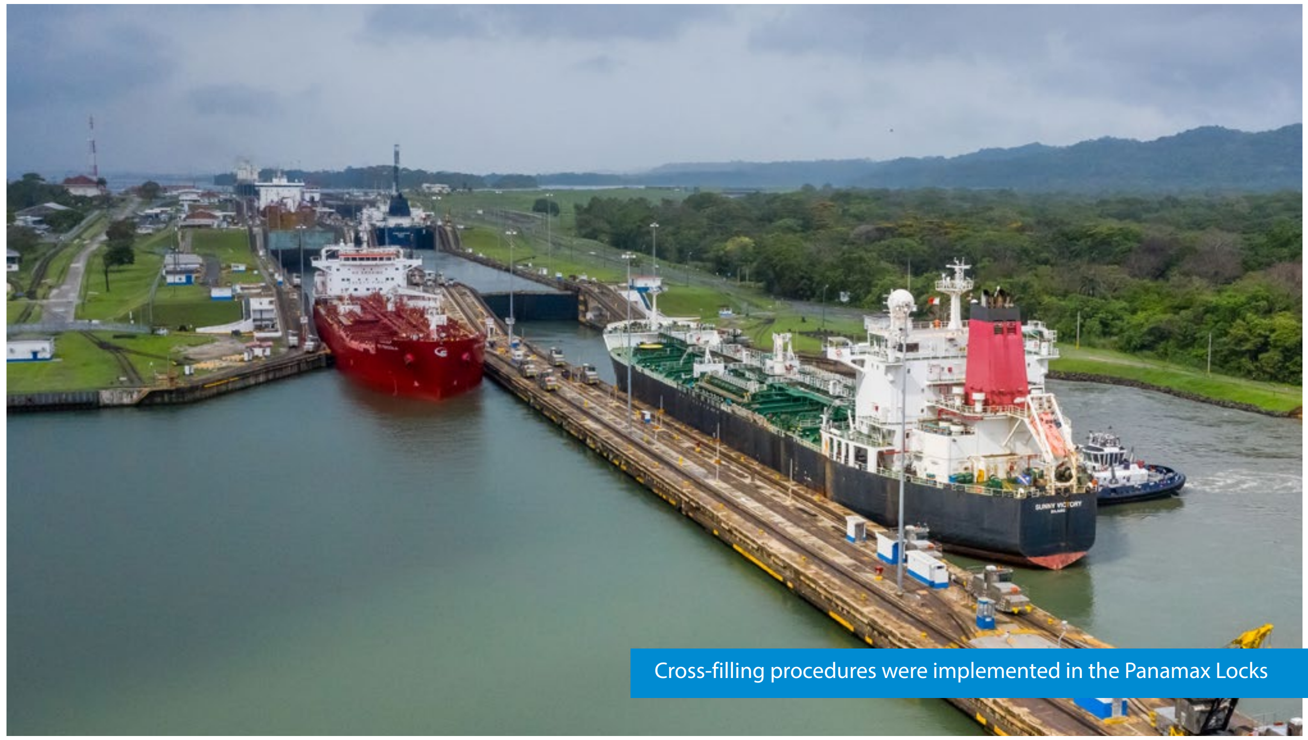


Graph 2. Distribution of Water Usage (3,553 Mm³) in the Panama Canal Watershed FY-2020





Aerial view of the Alhajuela reservoir



Cross-filling procedures were implemented in the Panamax Locks

Conservation and Water-Saving Measures

By the year 2019, the Panama Canal Watershed experienced its fifth driest year in 70 years. As a result of scarce rains, lake levels fell way below their usual average. This situation limited lockages for vessels of greater tonnage and draft.

Therefore, starting on February 15, 2020, the Canal implemented a freshwater surcharge to allocate a cost to a limited resource. It is noteworthy that this measure was communicated in a timely and direct manner to the Canal's main customers, to international associations that represent these customers and to local shipping agents, through meetings, telephone calls and seminars.

The freshwater surcharge consists of a fixed and a variable component. The applicable rate for the variable component is contingent upon water availability at the time the vessel is ready to transit. The variable component, between 1.0 and 10.0 percent of the tolls, is correlated to the Gatun Lake's level. The higher the lake level, the lower the percentage charged, and vice versa.

In order to offer transparency and availability of information to its customers, the Panama Canal publishes in its webpage on a daily basis, **http://www.pancanal.com/eng/h2o/index.html**, the applicable variable percentage rate and estimates for the following 60 days.

In addition to the freshwater surcharge, the Panama Canal continued with its water-saving measures which included cross filling in the Panamax locks, the use of water-saving basins in the Neopanamax locks and the suspension of hydro power generation in the Gatun Hydroelectric Plant, among others. Additionally, the number of transit reservation slots available was adjusted.

The aforementioned water-saving measures allowed a stable draft offering in spite of the limited rainfall in 2019. As a result, the Canal was able to provide 50 feet of draft since September 2020, the highest draft in more than 12 months.

An International Price for Water

Announcements made in December of 2020 of the negotiation of the first water futures market, validated the Canal's objective of ensuring that this resource's value is taken into account in global supply chains and validated in both concept and price. The water price quote in the CME futures market is clear evidence of its scarcity as a resource. It is compared with other products that have been listed for a long time in the futures exchange such as wheat, soy, petroleum and natural gas, while establishing a reference price for a product which has always been considered universal and free of charge.

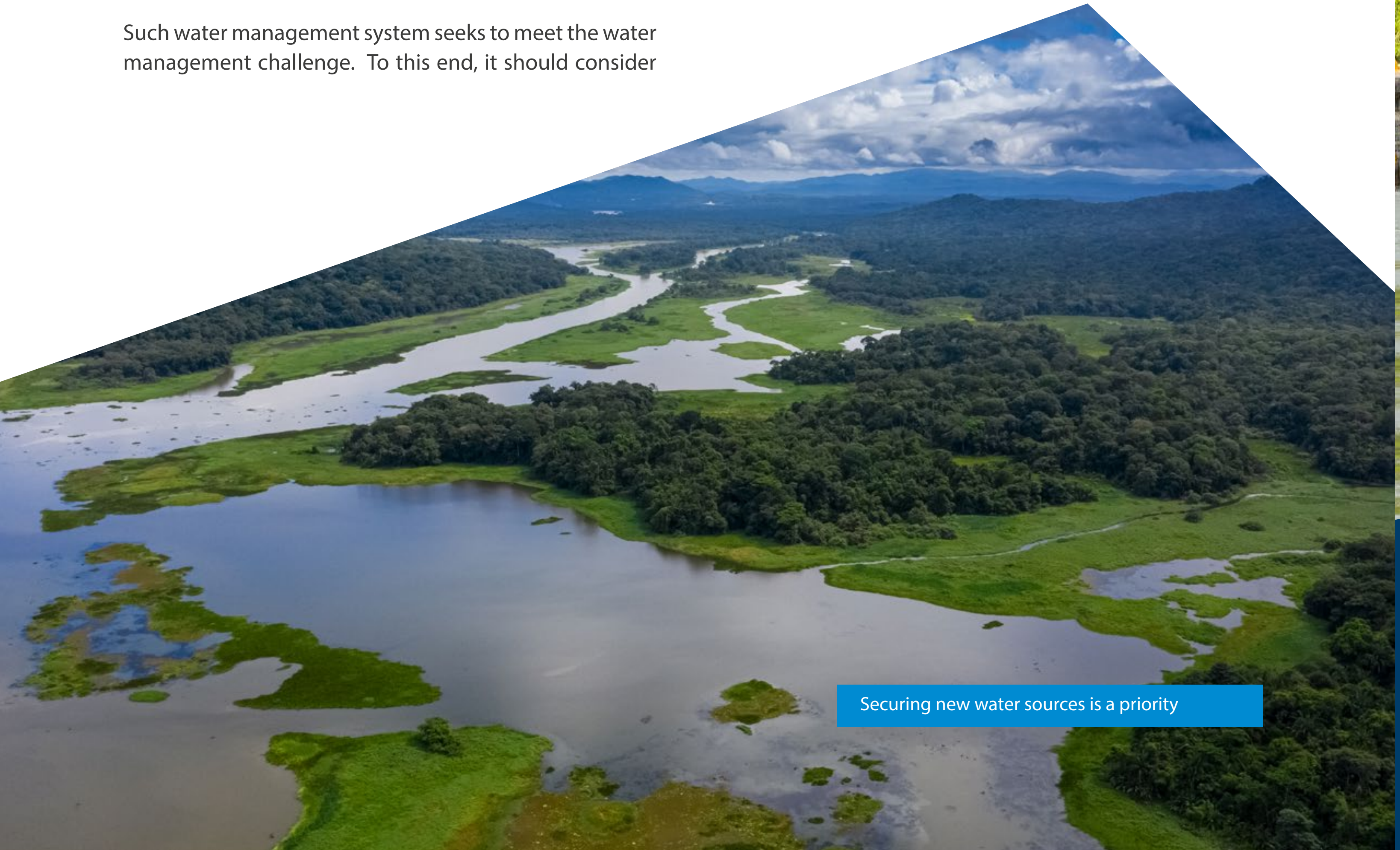
A Plan for New Water Projects

The announcement of the implementation of a freshwater surcharge was accompanied with a commitment on the part of the Panama Canal administration to ensure its availability in the medium and long term.

On the other hand, by September, the Panama Canal published the requirements for the prequalification of interested parties in the bidding for the design, construction and implementation of an optimized water management system.

Such water management system seeks to meet the water management challenge. To this end, it should consider technological and engineering aspects based on efficiency and integral handling of the water resources as well as the management of social and environmental facets that befall the waterway projects.

The water-saving measures implemented by the Panama Canal allowed a positive outcome in the fiscal year 2020 annual water balance.

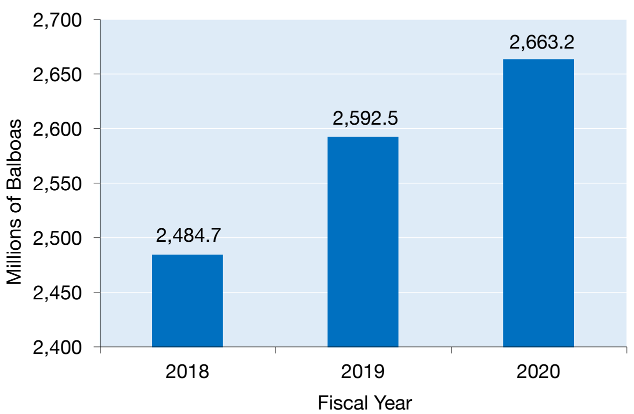


Securing new water sources is a priority

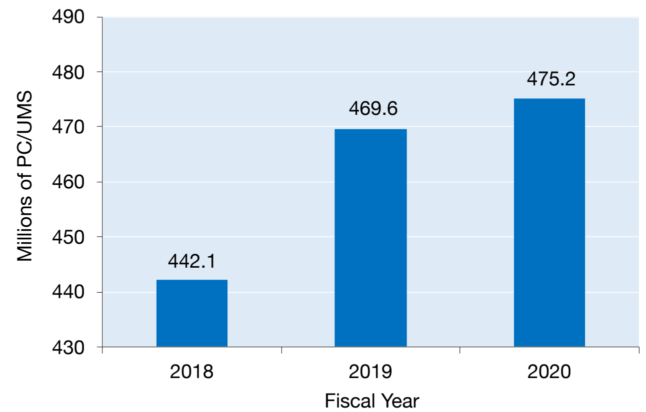
Operations Performance

For fiscal year 2020, the Panama Canal registered 475.2 million PC/UMS tons, a 1.2 percent increase compared to the tonnage of the previous fiscal year. Tolls revenue totaled B/.2,663.2 million, a 2.7 percent increase.

Graph 3. Tolls

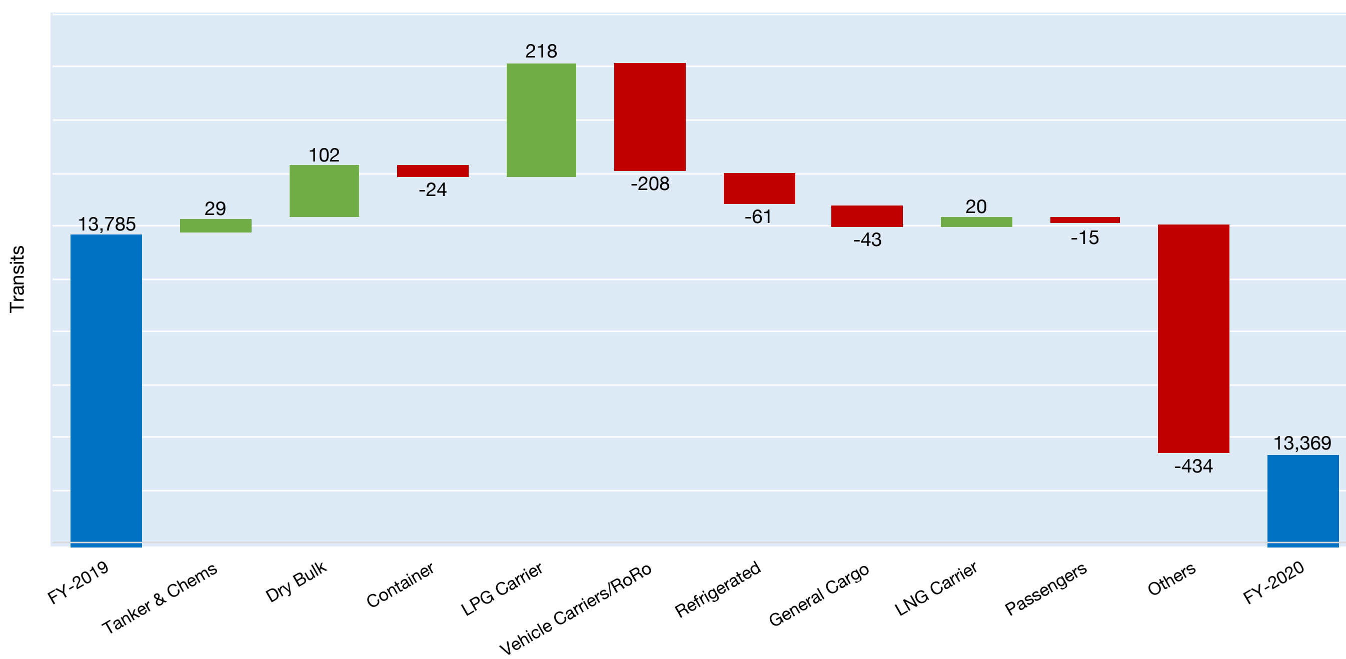


Graph 4. Vessel Tonnage



Transits totaled 13,369, a 3.0 percent decrease compared to the previous fiscal year due to less transits of vehicle carriers, refrigerated, general cargo, container and passenger vessels, mostly related to the COVID-19 pandemic and its effects on the world economy.

Graph 5. Variation in the Number of Transits by Market Segment FY-2020 vs FY-2019



Graph 6. Transits by Market Segment

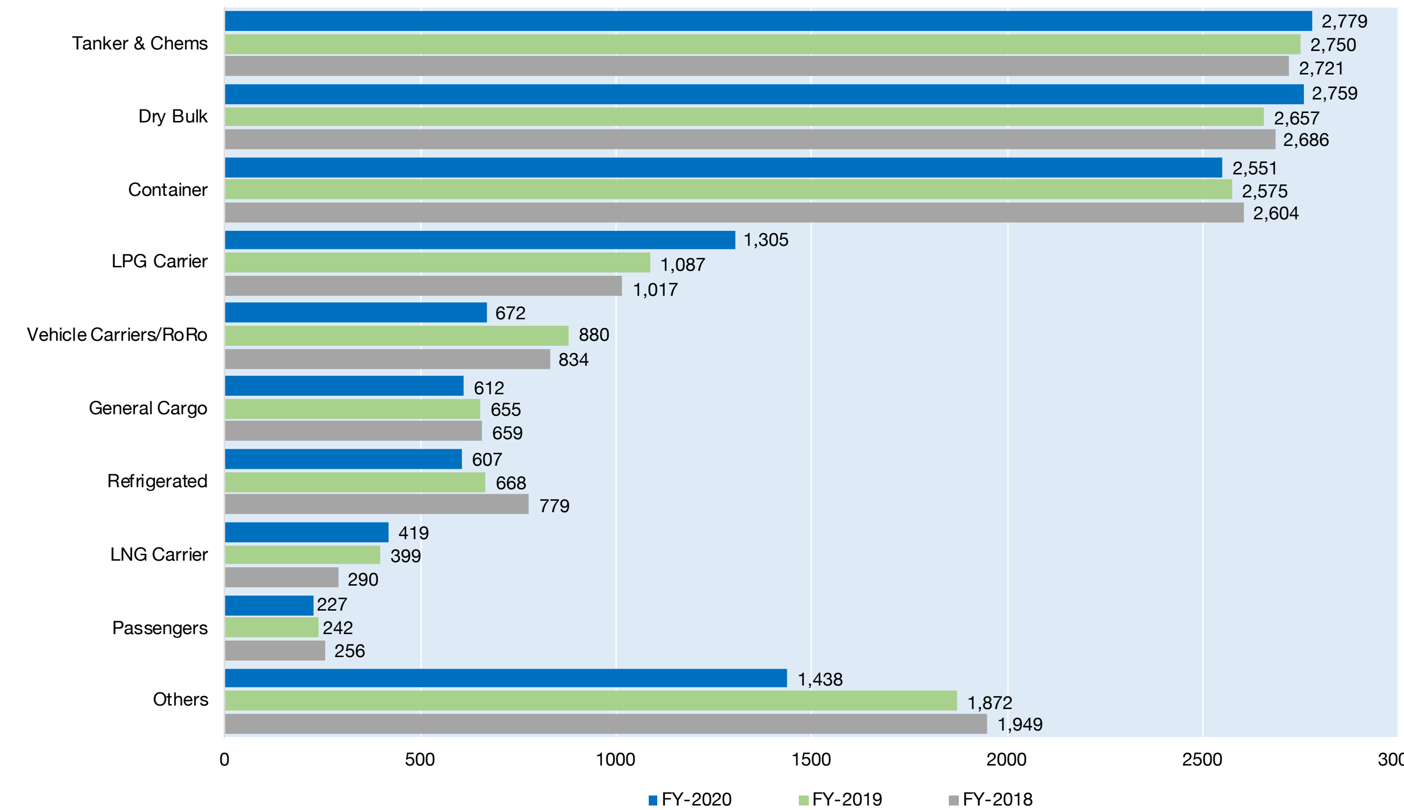


Table 1. Ranking of Countries by Origin and Destination of Cargo (Long Tons) FY-2020

	Country	Origin	Destination	Intercoastal	Total
1	United States	122,910,731	54,793,842	1,697,479	179,402,052
2	China	17,620,152	22,283,614	-	39,903,766
3	Japan	5,408,442	30,565,407	-	35,973,849
4	Chile	11,131,643	17,764,754	-	28,896,398
5	South Korea	8,768,060	19,809,253	-	28,577,313
6	Mexico	9,703,002	14,013,084	409,395	24,125,482
7	Colombia	12,291,065	7,568,472	599,692	20,459,230
8	Peru	6,820,264	10,860,238	-	17,680,502
9	Ecuador	6,225,228	7,384,484	-	13,609,712
10	Canada	11,053,926	2,374,889	49,548	13,478,363
11	Panama	1,894,109	9,424,338	90,027	11,408,474
12	Guatemala	1,218,486	6,621,207	-	7,839,693
13	Taiwan	2,130,976	4,915,196	-	7,046,173
14	Spain	2,004,146	2,367,956	-	4,372,103
15	Trinidad and Tobago	4,198,520	164,191	-	4,362,711
16	Belgium	1,798,166	2,468,406	-	4,266,572
17	Brazil	2,990,883	1,079,018	-	4,069,901
18	Netherlands	1,290,976	2,591,053	-	3,882,029
19	Rusia	1,675,951	1,558,972	-	3,234,923
20	Turkey	1,189,758	1,766,343	-	2,956,101

Metric based on cargo long tons origin and destination of the country.

Vessel SK Resolute transiting the Agua Clara Locks

Table 2. Main Commodities (Long Tons)

Commodity	FY-2019	FY-2020
Crude Petroleum	7,239,615	7,893,929
Petroleum products	66,220,796	75,306,349
Grains	**27,074,645**	**30,998,473**
Soybeans	6,977,566	9,257,946
Corn	6,535,896	7,539,513
Sorghum	6,053,679	6,247,708
Wheat	2,525,722	3,007,385
Grain, Misc	4,981,783	4,945,921
Coal and Coke (Excl. Petroleum Coke)	17,794,119	11,897,776
Container Cargo	57,901,161	56,955,940
Autos, trucks, accesories and parts	5,985,128	4,948,891
Canned and refrigerated foods	1,973,588	1,708,080
Nitrates, phosphates and potash	9,367,421	9,476,363
Lumber and products	2,233,799	2,740,163
Manufactures of iron and steel	5,759,035	5,116,800
Chemicals and petroleum chemicals	16,786,093	16,013,034
Ores and Metals	10,639,572	9,355,556
Subtotal	**228,974,974**	**232,411,354**
Others	24,066,924	23,322,231
Total	**253,041,898**	**255,733,585**

New records

13 Neopanamax transits in one day.

1.8 million PC/UMS tons in one day.

9.9 daily transits on average in the Neopanamax locks in one month.

45.0 million PC/UMS tons per month.

90 Neopanamax transits reserved in advance.

The 10,000th transit in the Neopanamax locks, the S.K. Resolute, in August 2020.

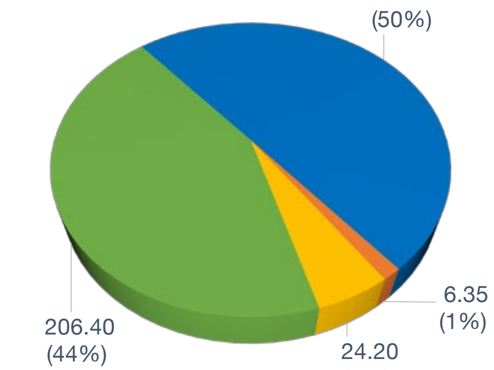
Aerial view of the Canal and the Centennial Bridge

Service Performance

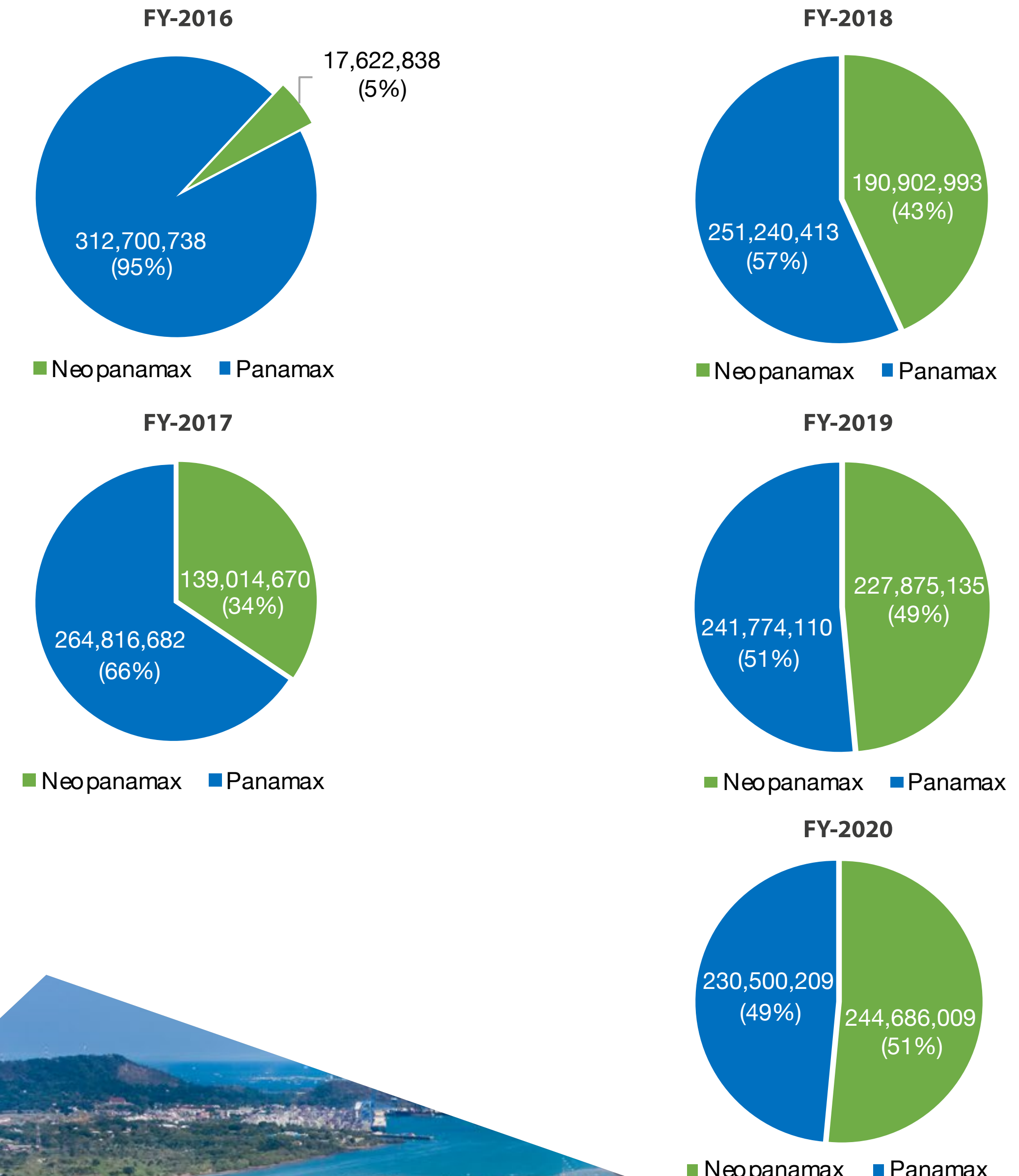
Of a total 475.2 million PC/UMS tons, 50 percent were Neopanamax vessels (beam or length greater than 32.62 or 294.44 meters, respectively), 44 percent in supers (beam between 27.74 and 32.62 meters), 5 percent in regular vessels (beam less than 27.74 meters), and 1.0 percent in Panamax-plus vessels (draft greater than 12.04 meters).

This total represented 5.5 million over the total in fiscal year 2019. Furthermore, the income from tolls and other maritime services was B/.3,338.8 million, an 8.5 percent increase compared to fiscal year 2019.

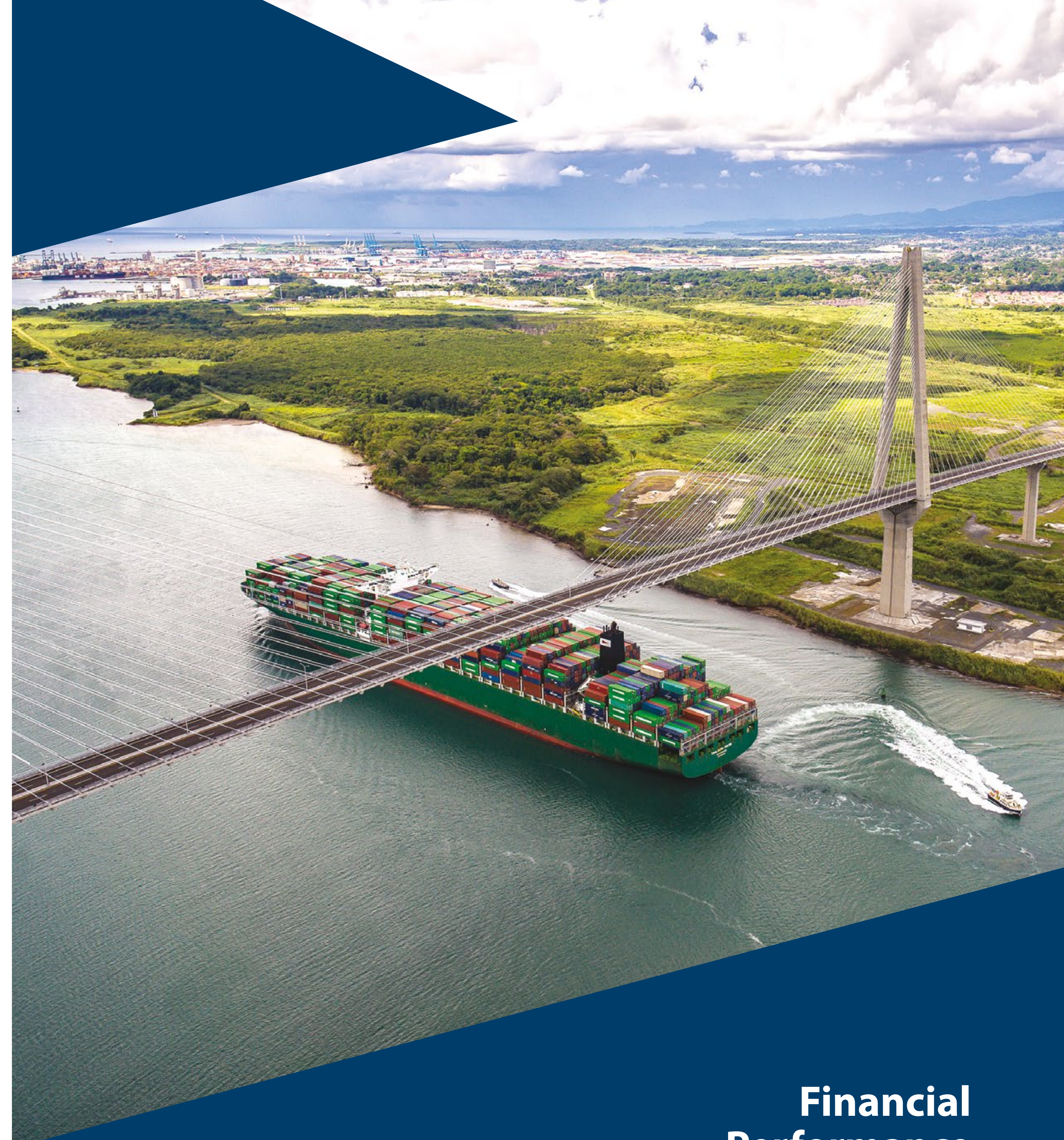
Graph 7. PC/UMS Tons per Vessel Size (Million)



Graph 8. PC/UMS Tonnage Evolution by Locks (FY-2016 - FY-2020)

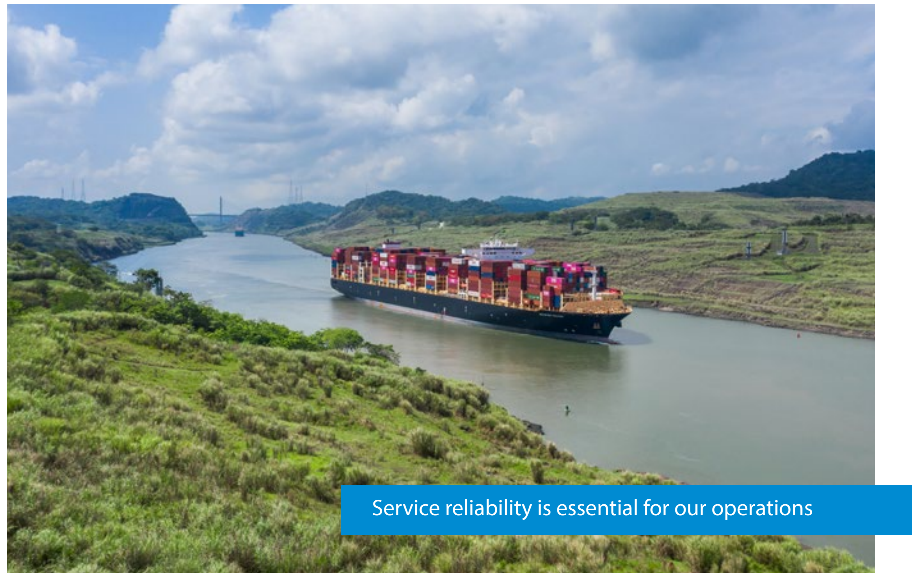


Aerial view of the Neopanamax Locks in the Pacific



Financial Performance

Fiscal year 2020 was another year with solid profitability margins, low leverage and efficiency and productivity increases. These growth and financial strength results are based on a conservative institutional framework oriented towards transparent, autonomous and prudent management, as well as uninterrupted yields sustainability with a long-term outlook.

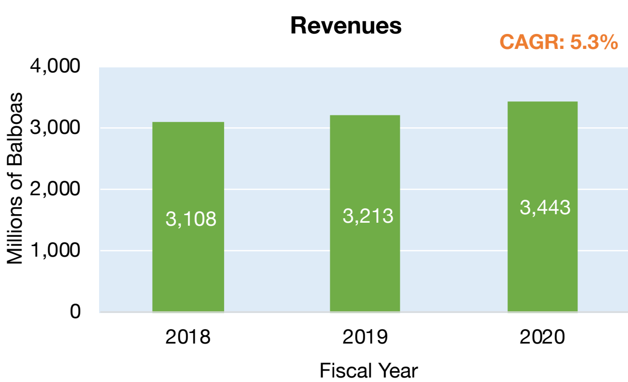


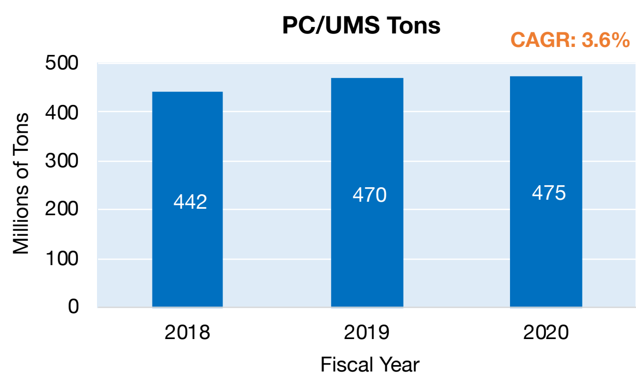
Service reliability is essential for our operations

The Canal concluded fiscal year 2020 with B/.3,443 million in revenues, B/.230 million or 7.2 percent more than fiscal year 2019. Since fiscal year 2018, Canal revenues and tonnage increased at a compound annual growth rate (CAGR)[3] of 5.3 and 3.6 percent, respectively.

In fiscal year 2020, transit revenues and tonnage reached record levels as a result of an increase of PC/UMS tons, the new freshwater surcharge and toll structure and reservation system policies modifications.

Graph 9. Total Revenues and Tonnage of the Panama Canal





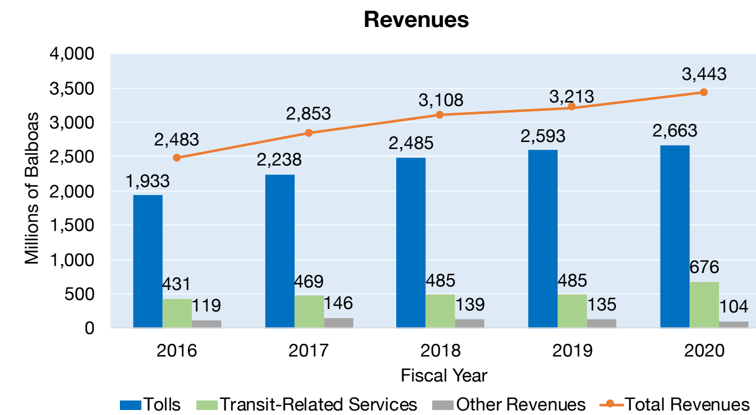
The Panama Canal had an increase in revenues despite the uncertainty in world trade caused by COVID-19 pandemic prevention and control measures. The Canal, as a route that serves world trade, took the necessary measures to provide a safe and uninterrupted service, even in the most critical moments.

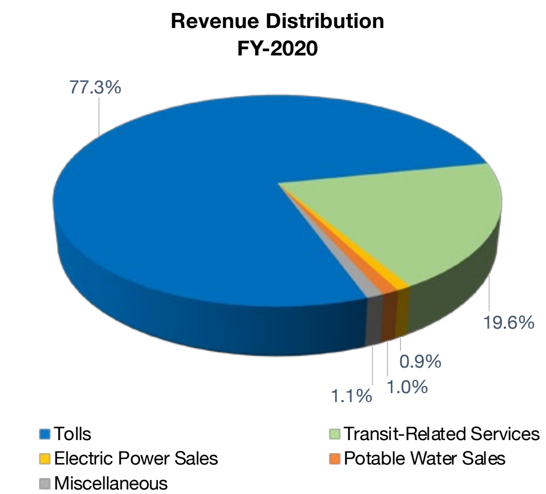
[3] CAGR: is a measure used specifically in business and investing contexts that determines the growth rate over multiple time periods.

Statement of Financial Results

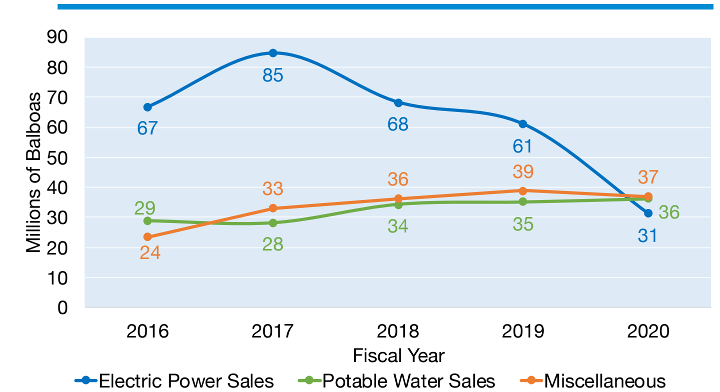
Revenues

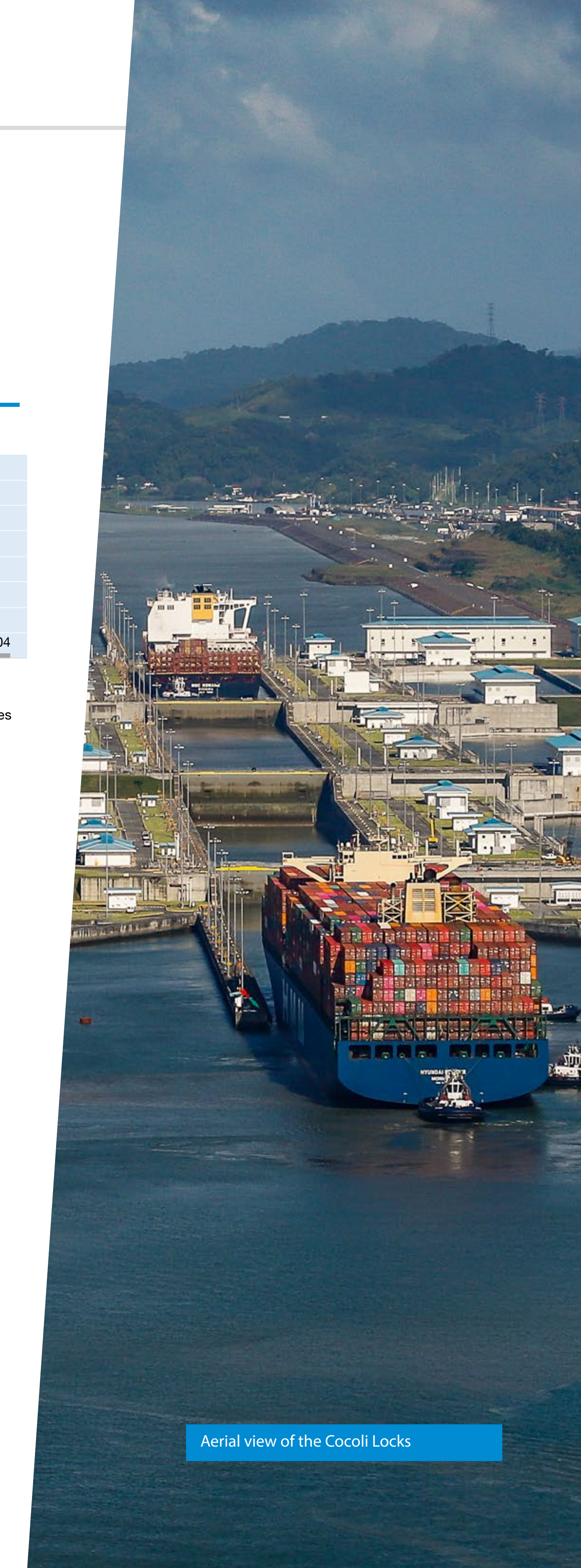
Graph 10. Total Revenues





Graph 11. Other Revenues





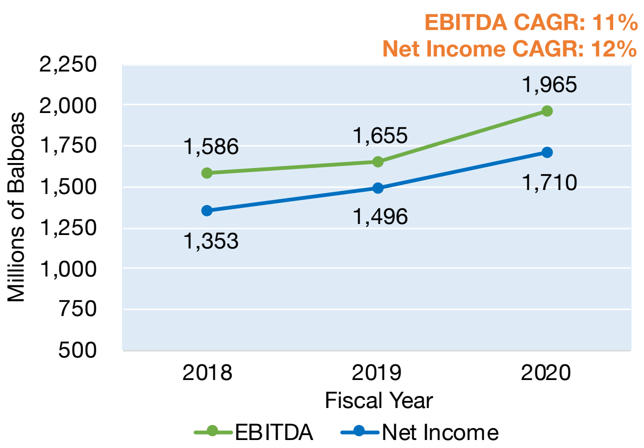
Aerial view of the Cocoli Locks

Expenses

At the end of fiscal year 2020, the Canal reported B/.1,162 million in operating expenses, representing 33.7 percent of its total revenues. In addition, the 1.5 percent increase in fee per net ton reflects the growth in transited tons. Compared to fiscal 2019, operating expenses decreased 5.7 percent.

Net Earnings

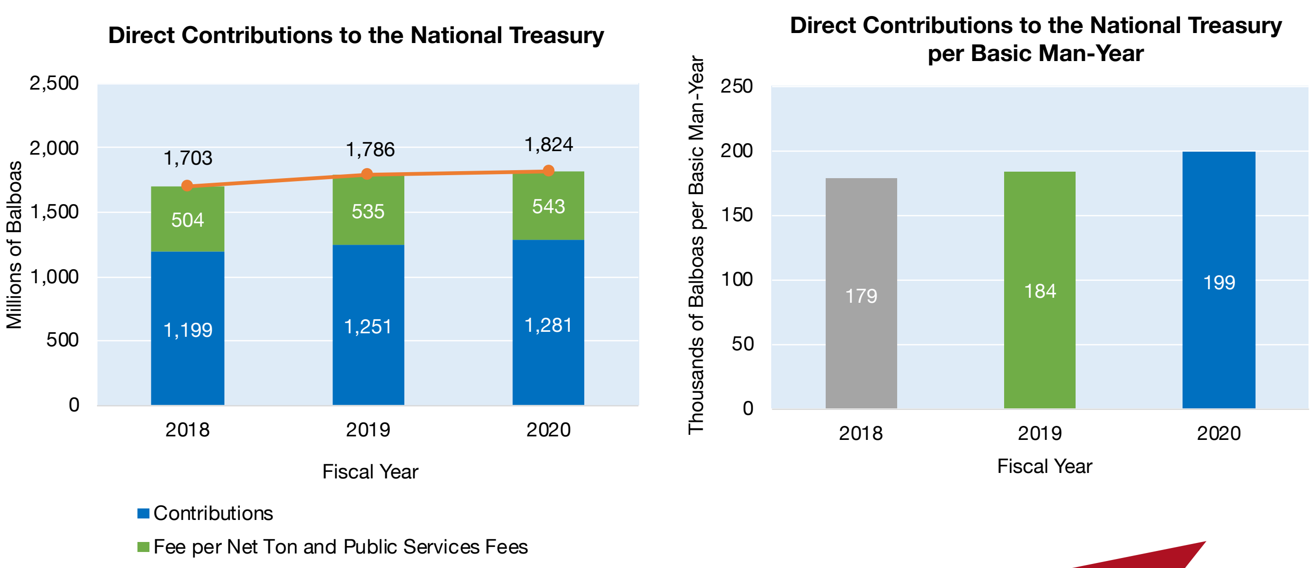
Graph 12. EBITDA & Net Income Performance




LNG carrier transiting the Neopanamax Locks

Growth in Direct Contributions to the National Treasury

Graph 13. Direct Contributions to the National Treasury



Greater Indirect Contributions to Other Public Entities

At the end of fiscal year 2020, indirect contributions to the National Treasury, through other public entities, reached B/.229 million, B/.3 million more than in fiscal year 2019. These contributions mainly comprise B/.122 million, B/.94 million and B/.13 million in Social Security Fund, income tax and educational insurance tax, respectively.

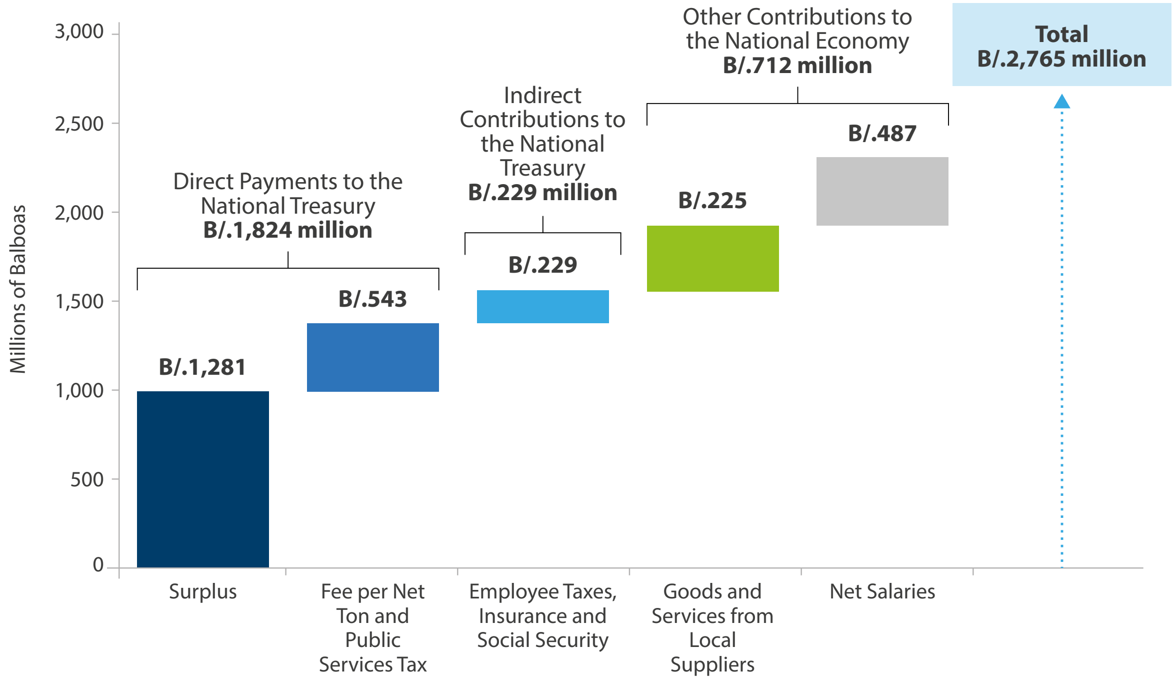

The Canal is one of the country's growth engines

Other Indirect Contributions to the National Economy

In fiscal year 2020, the Panama Canal contributed indirectly a total of B/.712 million to the National economy, as a result of net salaries for B/.487 million; and B/.225 million in local purchases of goods and services, and payments to local suppliers as part of the annual investments in equipment and infrastructure.

At the end of fiscal year 2020, the Canal contributed to the national economy with a record in direct and indirect economic contributions, a total of B/.2,765 million. After implementing the protocols for the prevention and control of the pandemic, this contribution was more significant due to the fact that the ACP is one of the few organizations/ entities capable of maintaining its entire workforce active.

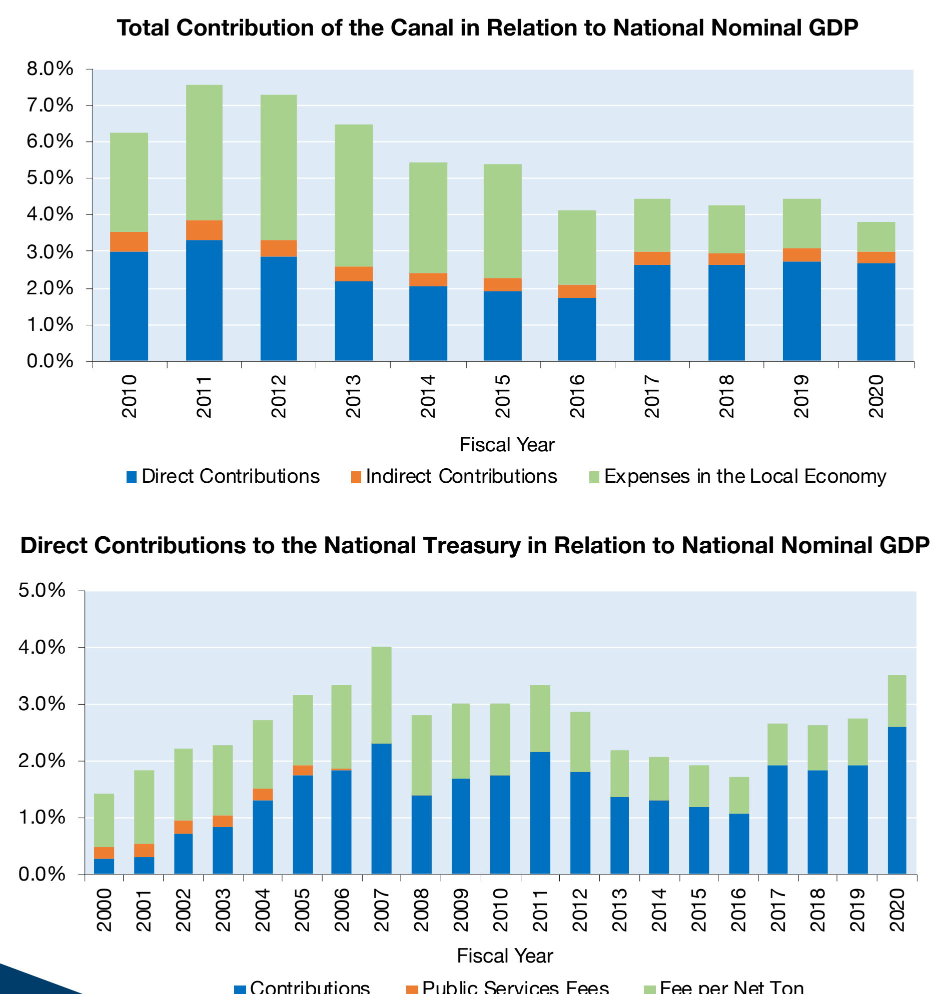
Graph 14. Panama Canal Impact on the National Economy



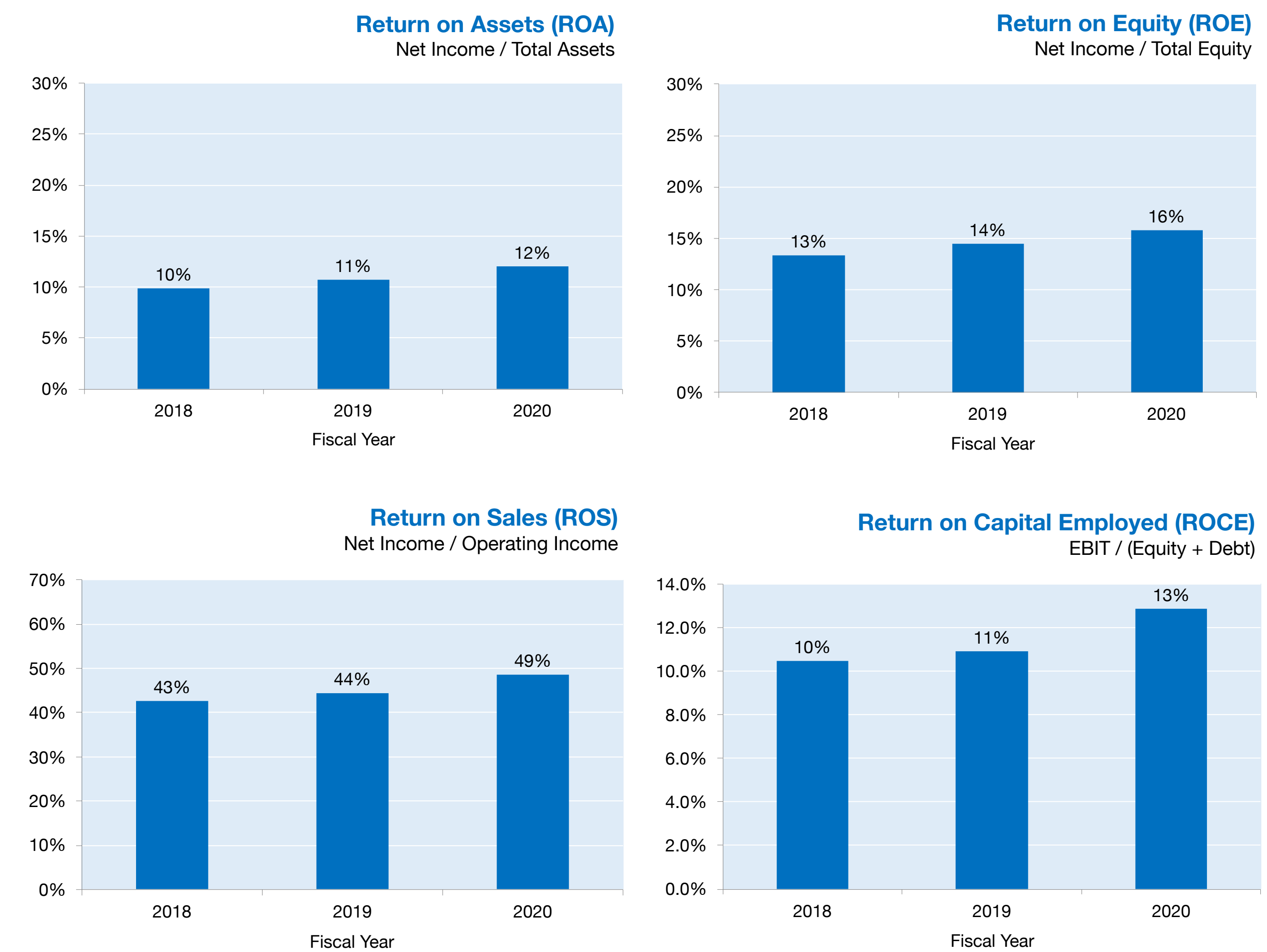
Direct Contributions to the National Economy Relative to the Gross Domestic Product (GDP)

In fiscal year 2020, Panama Canal direct contributions were 2.7 percent in relation to the National Nominal GDP and the total contribution, including the expenses in the local economy, direct and indirect contributions represent an estimated 3.8 percent of the National Nominal GDP.

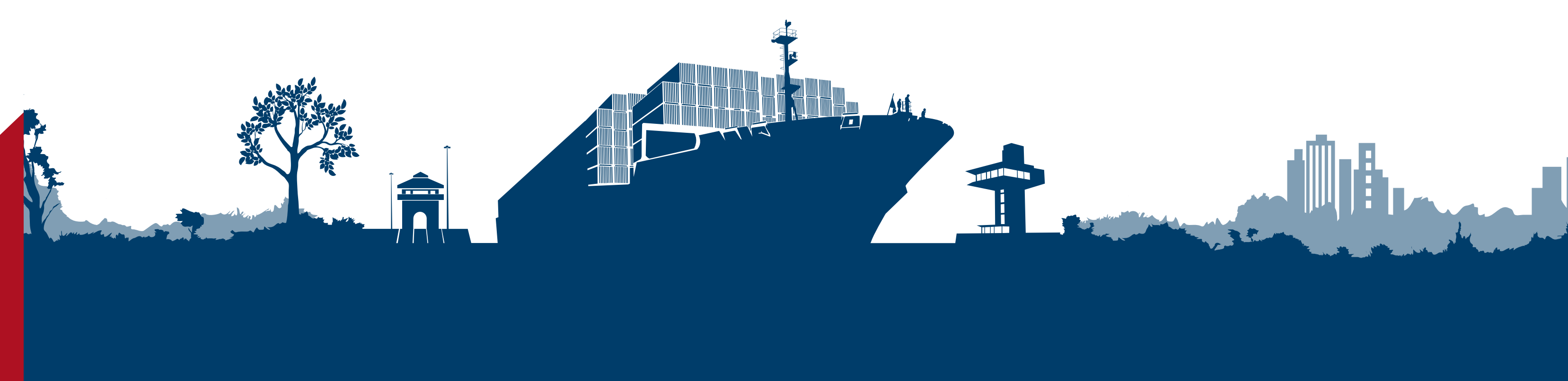
Graph 15. Panama Canal Impact on the National Economy in Relation to the National Nominal GDP



Graph 16. Financial Performance of the Panama Canal



A profitability analysis shows a solid financial performance of the Panama Canal, reporting 49 cents of net profit for each balboa of income (ROS), a return on capital employed (ROCE) of 13.0 percent, return on assets (ROA) of 12.0 percent and return on equity (ROE) of 16.0 percent for fiscal year 2020 validate the capacity of the Canal to create economic value on a sustainable basis.



Credit Ratings and Financial Strength Summary

As a result of the change in the long-term rating outlook of the Government of Panama, Fitch Ratings revised its Panama Canal rating to negative in February 2020. The Canal's rating scale and dependency methodology establishes that the sovereign's rating is an element of the Canal's individual credit profile. Even when the Canal's financial indicators support a higher rating than the sovereign, the Canal's A rating is limited to three notches above the sovereign due to the connection between them.

In April 2020, S&P Global reiterates the Canal's rating at A and systematically revises the outlook to negative due to the change in the sovereign's outlook. This outlook change is attributed to the risk and impact of the COVID-19 pandemic and the global economic slowdown that could weaken the prospects for GDP growth in Panama. Even when the conditions and fundamentals of the Canal remain unchanged, the negative outlook reflects the one-in-three probability of downgrading the Canal in the upcoming 6 to 24 months, if the sovereign's rating is downgraded.

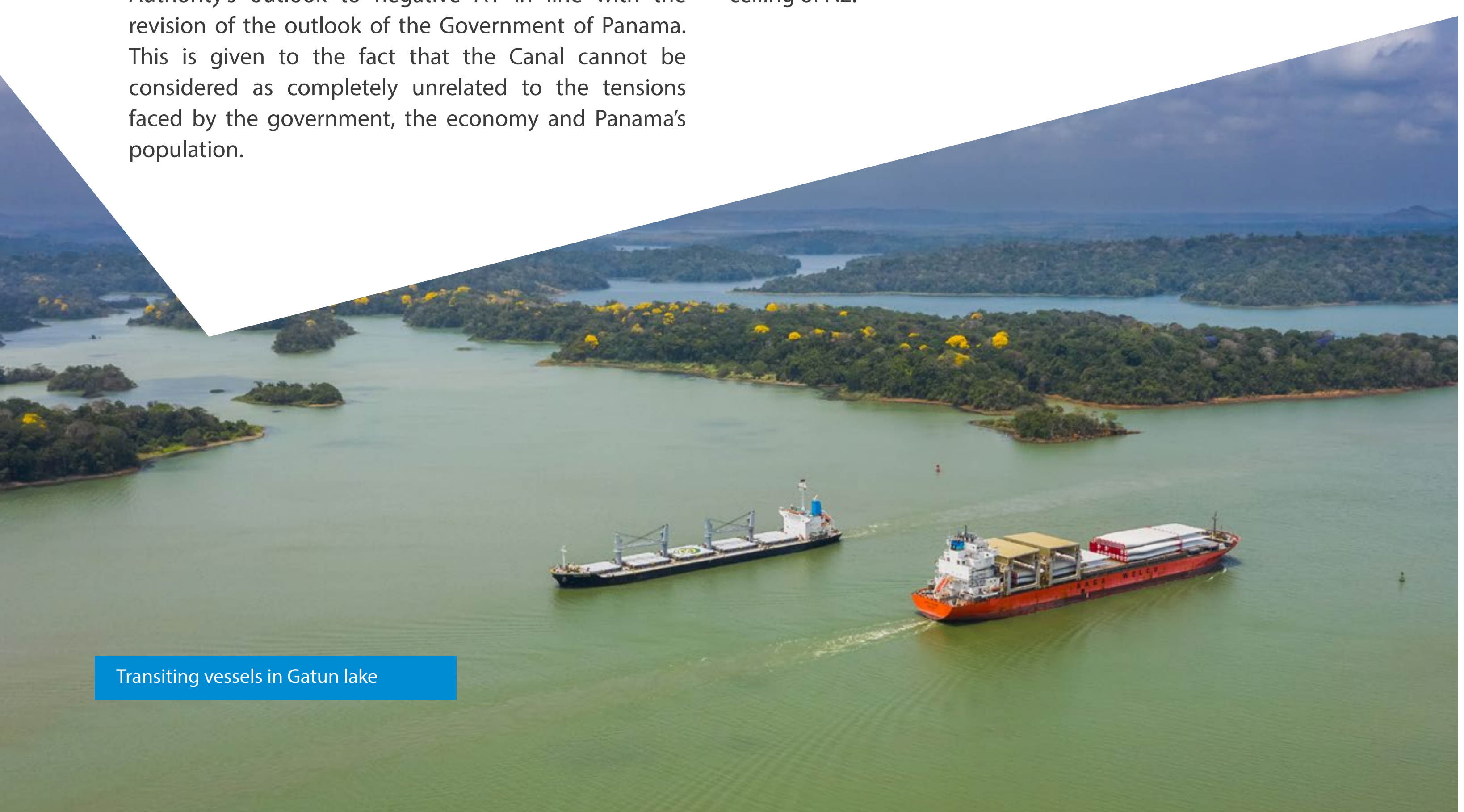
In October 2020, Moody's revised the Panama Canal Authority's outlook to negative A1 in line with the revision of the outlook of the Government of Panama. This is given to the fact that the Canal cannot be considered as completely unrelated to the tensions faced by the government, the economy and Panama's population.

Indistinctly, the Panama Canal´s rating reflects its distinctive position as an infrastructure asset with a unique geographic advantage and business model. Despite the coronavirus pandemic and trade tensions between the United States and China, the Canal´s operational and financial performance has been strong, supported by the recent expansion and a new tolls scheme. Changes in supply chains and water scarcity are the Canal´s long-term challenges.

Table 3. ACP Credit Ratings

Rating Agency	Rating	Outlook	Date
Fitch	A	Negative	Feb. 2020
Standard & Poor´s	A	Negative	Apr. 2020
Moody´s	A1	Negative	Oct. 2020

The Canal's credit quality is based on its solid institutional framework, corporate governance and international treaties that ensure its operation without interference. The A1 rating is three notches above the sovereign (negative Baa1) and one notch above Panama's country ceiling of A2.

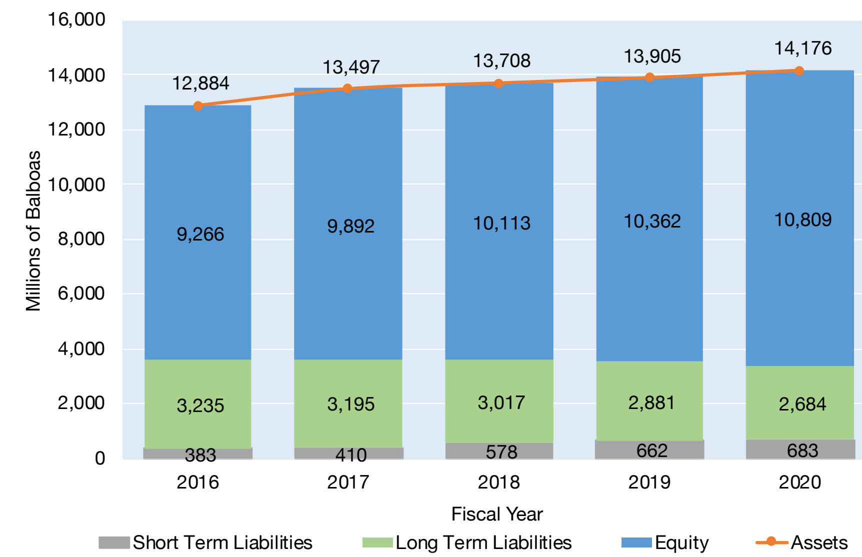


Transiting vessels in Gatun lake

Balance Sheet

At the end fiscal year 2020, Canal assets were B/.14,176 million, B/.271.0 million, 1.9 percent above fiscal year 2019, and are composed by 35.6 percent (B/.5,047 million) and 64.4 percent (B/.9,129 million) of current assets and non-current assets, respectively. On the other hand, equity and liabilities represented from total assets 23.8 percent (B/.3,367 million) and 76.2 percent (B/.10,809 million), respectively.

Graph 18. Assets, Liabilities and Equity



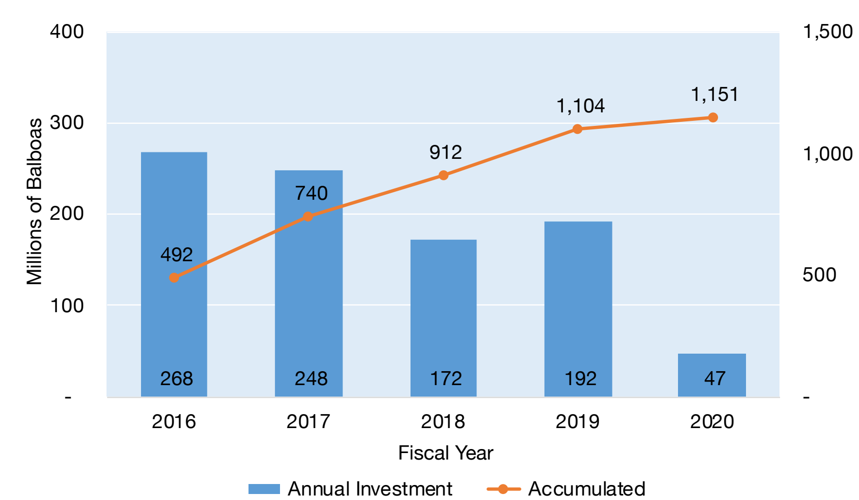
Regular Capital Investment Program

The regular capital investment program for fiscal year 2020 consisted of 152 projects, with total expenses of B/.47 million. The execution of projects was affected by the temporary suspension of all economic activities by the Government of Panama as a preventive and control measure in light of the COVID-19 pandemic.

The regular capital investment program seeks to:

- Increase Canal´s operation efficiency
- Maintain the Canal's reliability
- Improve the electrical power system's reliability
- Protect water quality in the Canal Watershed
- Maintain the Canal Watershed's water resource sustainability.

Graph 19. Regular Investment Program Expenses



Annex: Audited Financial Statements

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Financial Statements

September 30, 2020

(With Independent Auditor's Report)

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Table of Content

KPMG
Torre PDC, Ave. Samuel Lewis y
Calle 56 Este, Obarrio
Panamá, República de Panamá

Teléfono: (507) 208-0700
Website: kpmg.com.pa

INDEPENDENT AUDITORS´ REPORT

To the Board of Directors
Autoridad del Canal de Panamá

Opinion

We have audited the financial statements of the Autoridad del Canal de Panamá, (hereinafter, the "ACP"), which comprise the statement of financial position as of September 30, 2020, the statement of profit or loss, and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ACP as of September 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ACP in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

© 2020 KPMG, una sociedad civil panameña y firma de la red de firmas miembro independiente de KPMG, afiliadas a KPMG International Cooperative ("KPMG International"), una entidad suiza. Derechos reservados.

Contingent liabilities from contractor claims
See Note 30 to the financial statements

The key audit matter	How the matter was addressed in our audit
Contractor' claims are considered as a significant issue, because of the assessment of related provisions and contingencies, which require important judgments and analysis by management. Contingencies from arbitration claims with a contractor amounted to B/.2,940 million for three (3) arbitrations.	Our procedures in this area included: • We evaluate together with our legal specialists the conclusions reached for each claim by the management and its legal advisors. • We carry out and validate the procedures for sending and receiving confirmations to legal advisors and the internal lawyers of the ACP and we evaluate the disclosures made.

Property, plant, and equipment, net
See Notes 3 (g) and 4 to the financial statements

The key audit matter	How the matter was addressed in our audit
• The ACP is the owner of the Canal facilities, buildings, structures and equipment required to operate the Panama Canal. The property, plant, and equipment (PPE) are considered a key Audit matter by its high transactional volume that involves the evaluation of capitalization of additions, designation of useful lives and judgement applied in the estimation of impairment losses on the basis of the calculation of the value in use of PPE. The total amount in property, plant, and equipment is B/.8,561 million, representing 60% of the total assets of the ACP.	• We obtained an understanding and test the operational effectiveness of controls on the additions of PPE. • We obtained an understanding of how the ACP is determining the useful life and residual value of the PPE to conclude on the adequacy or not of such determination. • We make substantive test of additions during the year through selective sampling, and we examine relevant documents such as invoices, payments and reports of staff assigned to the construction underway to evaluate if the additions have been capitalized in accordance with the policies established by the ACP. • We recalculate the corresponding depreciation for the year. • We visited and we inspected the PPE according to selective sampling. • We obtained and analyzed the impairment evaluation carried out by the ACP on the PPE to determine if the calculation is reasonable. We analyzed the method used, calculated and compared it with the one carried out by the ACP.

Other Information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we concluded that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ACP ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ACP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ACP financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ACP internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ACP ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the ACP to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit who has prepared this independent auditors' report is Ricardo A. Carvajal V.

KPMG

Panama, Republic of Panama
December 15, 2020

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Financial Position

September 30, 2020

(In thousands of balboas B/.)

	Note	2020	2019
Assets:			
Non-current assets:			
Property, plant and equipment:			
Property, plant and equipment, net		8,382,350	8,758,157
Constructions in progress		178,371	168,745
Total property, plant and equipment, net	4	8,560,721	8,926,902
Trade and other receivables	5	16,765	0
Receivable from contractor	6	244,655	0
Reimbursement right of ACP	25	383,379	368,684
Investment properties	7	93,355	97,394
Inventories, net	8	64,094	61,421
Right-of-use assets	27	10,504	0
Total non-current assets		9,373,473	9,454,401
Current assets:			
Inventories	8	8,271	7,466
Trade and other receivables	5, 26, 28	20,751	41,363
Operations with settlement in progress	26	0	2,603
Other financial assets	9, 26	3,801,690	4,314,392
Cash and cash equivalents	11, 26	965,541	57,832
Accrued interest receivable	10	5,340	25,127
Other assets		863	1,724
Total current assets		4,802,456	4,450,507
Total assets		14,175,929	13,904,908

The statement of financial position must be read in conjunction with the notes that are an integral part of the financial statements.

	Note	2020	2019
Equity and liabilities:			
Equity:			
Contributed capital	12	1,906,336	1,906,336
Investment program contributions	13	6,197,479	6,035,696
Reserves	13	1,537,489	1,270,589
Other equity accounts	14	(113,821)	(103,321)
Earnings available for distribution	15, 32	1,281,448	1,251,892
Total equity		10,808,931	10,361,192
Non-current liabilities:			
Bonds payable:			
Bonds payable		450,000	450,000
Less: discount and issuing costs		7,948	8,513
Bonds payable, net	17, 26	442,052	441,487
Borrowings	16, 26	1,725,000	1,955,000
Employee benefits	25	395,236	381,266
Lease liabilities	27	6,604	0
Other financial liabilities	18, 26	115,313	103,603
Total non-current liabilities		2,684,205	2,881,356
Current liabilities:			
Trade and other payables	19, 26, 28	211,058	166,487
Borrowings	16, 26	243,507	260,530
Provision for marine accidents	20	19,587	13,882
Accrued salaries and vacation payable		148,043	152,035
Accrued interest payable on bonds	17	3,712	3,712
Accrued interest payable on other financial liabilities	26	10,407	6,791
Lease liabilities	27	4,497	0
Other liabilities	21	41,982	58,923
Total current liabilities		682,793	662,360
Total equity and liabilities		14,175,929	13,904,908

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Profit or Loss

For the year ended September 30, 2020

(In thousands of balboas B/.)

	Note	2020	2019
Revenues:			
Toll revenues		2,663,275	2,592,482
Other Canal transit services		675,496	485,163
		3,338,771	3,077,645
Other revenues:			
Sales of electricity and power		31,215	60,723
Sales of potable water	28	36,536	36,174
Miscellaneous	23	36,918	38,867
Total other revenues		104,669	135,764
Total revenues		3,443,440	3,213,409
Expenses:			
Salaries and wages	22	614,431	616,147
Employee benefits	22, 28	77,805	79,264
Materials and supplies	22	52,323	63,905
Fuel	8, 22	40,349	72,957
Transportation and allowances	22	1,099	2,816
Contracted services and fees	22	96,214	134,377
Insurance	22	20,850	19,006
Provision for marine accidents	20, 22	8,174	508
Provision for obsolete inventory	8, 22	2,506	1,944
Depreciation	4, 22	221,076	208,975
Amortization of right-of-use asset	22, 27	5,697	0
Fees paid to the Panamanian Treasury	15, 19, 22, 28	542,679	534,521
Other expenses	22	22,028	32,515
Total expenses		1,705,231	1,766,935
Results of operations		1,738,209	1,446,474
Finance income		74,278	106,915
Financial income on advances and other receivables from contractors		0	45,631
Finance costs	16	(102,356)	(103,239)
Finance (costs) income, net		(28,078)	49,307
Profit for the year		1,710,131	1,495,781

The statement of profit or loss must be read in conjunction with the notes that are an integral part of the financial statements.

Statement of Comprehensive Income

For the year ended September 30, 2020

(In thousands of balboas B/.)

	Note	2020	2019
Profit for the year		1,710,131	1,495,781
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Net remeasurement of employee defined benefit plans' actuarial loss		(517)	(1,510)
		(517)	(1,510)
Items that are or may be reclassified to profit or loss:			
Reclassification of income (loss) on financial instruments to profit for the year		2,740	(171)
Unrealized (loss) income on fair value instruments with changes in other comprehensive income (OCI)	9, 14	(990)	3,465
Net loss in cash flow hedges - light diesel purchase call option and swap contracts		(1,602)	(1,058)
Net loss in cash flow hedges - interest rate swap contracts		(10,131)	(47,842)
		(9,983)	(45,606)
Total other comprehensive losses	14	(10,500)	(47,116)
Total comprehensive income		1,699,631	1,448,665

The statement of comprehensive income must be read in conjunction with the notes that are an integral part of the financial statements.

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Changes in Equity

For the year ended September 30, 2020

(In thousands of balboas B/.)

	Note	Contributed capital	Investment programs contributions	Reserves	Other equity accounts	Earnings available to distribution	Total equity
Balance as of September 30, 2018		1,906,193	5,952,757	1,111,449	(56,959)	1,199,101	10,112,541
Adoption impact of IFRS 9 as of October 1, 2018		0	0	0	754	(1,810)	(1,056)
Balance as of October 1, 2018		1,906,193	5,952,757	1,111,449	(56,205)	1,197,291	10,111,485
Profit for the year		0	0	0	0	1,495,781	1,495,781
Other comprehensive income (loss):							
Net remeasurement of employee defined benefit plans' actuarial loss		0	0	0	(1,510)	0	(1,510)
Reclassification of loss on financial instruments to profit for the year		0	0	0	(171)	0	(171)
Fair value instruments with changes in other comprehensive income		0	0	0	3,465	0	3,465
Cash flow hedges		0	0	0	(48,900)	0	(48,900)
Total other comprehensive loss		0	0	0	(47,116)	0	(47,116)
Total comprehensive income (loss) of the year		0	0	0	(47,116)	1,495,781	1,448,665
Transfer to the Panamanian Treasury	15	0	0	0	0	(1,199,101)	(1,199,101)
Net increase in contributions	13	0	82,939	0	0	(82,939)	0
Net increase in equity reserves	13	0	0	159,140	0	(159,140)	0
Properties transferred to ACP	12	143	0	0	0	0	143
Balance as of September 30, 2019		1,906,336	6,035,696	1,270,589	(103,321)	1,251,892	10,361,192
Profit for the year		0	0	0	0	1,710,131	1,710,131
Other comprehensive income (loss):							
Net remeasurement of employee defined benefit plans' actuarial loss		0	0	0	(517)	0	(517)
Reclassification of gain on financial instruments to profit for the year		0	0	0	2,740	0	2,740
Fair value instruments with changes in other comprehensive income		0	0	0	(990)	0	(990)
Cash flow hedges		0	0	0	(11,733)	0	(11,733)
Total other comprehensive loss		0	0	0	(10,500)	0	(10,500)
Total comprehensive income (loss) of the year		0	0	0	(10,500)	1,710,131	1,699,631
Transfer to the Panamanian Treasury	15	0	0	0	0	(1,251,892)	(1,251,892)
Net increase in contributions	13	0	161,783	0	0	(161,783)	0
Net increase in equity reserves	13	0	0	266,900	0	(266,900)	0
Balance as of September 30, 2020		1,906,336	6,197,479	1,537,489	(113,821)	1,281,448	10,808,931

The statement of changes in equity must be read in conjunction with the notes that are an integral part of the financial statements.

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Cash Flows

For the year ended September 30, 2020

(In thousands of balboas B/.)

	Note	2020	2019
Cash flows from operating activities:			
Profit for the year		1,710,131	1,495,781
Adjustments to reconcile net income and cash from operating activities:			
Depreciation		221,076	208,975
Amortization of right-of-use asset		5,697	0
Amortization of diesel purchase call option premiun		510	0
Loss on disposal and impairment adjustment of fixed assets		144	692
Realized net gain (loss) on investment securities at FVOCI		10	(394)
Provision for marine accidents		8,174	508
Provision for obsolete inventory		2,506	1,944
Amortized discount in bonds payable		565	565
Materials and supplies inventory usages		31,274	42,933
Finance costs (income), net		28,078	(49,307)
Changes in operating assets and liabilities:			
Decrease in trade and other receivable		20,602	12,858
(Increase) decrease in fuel inventory		(805)	4,448
Increase in other assets		(597)	(632)
Increase (decrease) in trade and other payable		44,571	(53,379)
Payment of marine accidents claims		(2,469)	(7,028)
(Decrease) increase in accrued salaries and vacation payable		(3,992)	13,632
Operations with settlement in progress, net		2,603	(2,603)
Employee benefits plans		(1,242)	129
(Decrease) increase in other liabilities		(16,941)	4,008
Cash provided by operating activities:		2,049,895	1,673,130
Interest paid		(114,165)	(99,228)
Net cash provided by operating activities		1,935,730	1,573,902
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(95,699)	(193,820)
Acquisition of inventories		(36,454)	(37,306)
Acquisition of other financial assets		(6,170,556)	(5,076,194)
Proceeds from sale and redemption of other financial assets		6,663,343	4,066,476
Advances and other receivable to contractor		(17,599)	847,630
Interest received		115,955	130,906
Net cash provided by (used) in investing activities		458,990	(262,308)
Cash flows from financing activities:			
Payment of borrowings		(230,000)	(115,000)
Payment of lease liabilities		(5,119)	0
Transfer to Panamanian Treasury		(1,251,892)	(1,199,101)
Net cash used in financing activities		(1,487,011)	(1,314,101)
Net increase (decrease) in cash and cash equivalents		907,709	(2,507)
Cash and cash equivalents at the beginning of the year		57,832	60,339
Cash and cash equivalents at the end of the year	11	965,541	57,832
Investing activities that did not require cash inflows:			
Recognition of an adjustment to receivable from contractors due to arbitration award	7	244,700	0

The statement of cash flows must be read in conjunction with the notes that are an integral part of the financial statements.

(1) General Information

The Autoridad del Canal de Panamá, (the "ACP") is an autonomous legal entity of public law established by Article 316 of Title XIV of the Political Constitution of the Republic of Panama and subject to special arrangements made by the provisions of that Title, of Law No. 19 of June 11, 1997 and regulations that dictates the Board of Directors as mandated by articles 319 and 323 of the same Title. This legal framework provides, inter alia, that the administration, operation, conservation, maintenance and modernization of the Panama Canal (the Canal) and its related activities corresponds to the ACP exclusively. In addition, it establishes a special labor regime applicable to the ACP and its work force, as well as provides ACP with its own patrimony and the right to its administration.

The ACP, in coordination with government entities designated by law, is also responsible for the management, maintenance, use and conservation of the water resources of the Canal watershed, including lakes and their tributary streams. As part of this responsibility, the ACP optimizes these resources through the commercialization of water, energy and surplus goods, as well as tourism related activities in the Canal.

In accordance with the terms of the Torrijos-Carter Treaty signed in 1977, at noon on December 31, 1999, the Canal reverted to the Republic of Panama free of debts and liens, becoming an inalienable patrimony of the Republic of Panama, open to the peaceful and uninterrupted transit of vessels of all nations and whose use will be subject to the requirements and conditions established by the Political Constitution of the Republic of Panama, the Organic Law of the ACP and its management.

The Panama Canal is the inalienable patrimony of the Republic of Panama and includes (i) the waterway itself, (ii) its anchorages, berths, and entrances, (iii) land, marine, river and lake waters, (iv) locks, (v) auxiliary dams, and (vi) dikes and water control structures. The ACP owns Canal installations, buildings, structures and equipment that support the operation of the Panama Canal. In addition, pursuant to Article 49 of Law No. 19 of 1997, the ACP is entitled to dispose of assets to the extent they are not necessary for the functioning of the Panama Canal. These assets include electrical power plants and water purification plants, piers and docks, dry docks, radio stations, telemetric and hydro meteorological stations, dredge spoil areas, spillways, lighthouses, buoys, pipelines and other aids to navigation.

The main ACP offices are located at the Administration Building No. 101, Balboa, Corregimiento de Ancon, Republic of Panama.

(2) Basis of Preparation

(a) Statement of compliance

The financial statements of the ACP, as of September 30, 2020 and for the year ended on that date, have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and approved by the Board of Directors and authorized to be issued on December 15, 2020. The accompanying financial statements have been translated from Spanish into English language.

(2) Basis of Preparation, continued

(b) Measurement basis

The financial statements have been prepared on the basis of historical cost, except for the following items in the statement of financial position:

- Financial assets measure at fair value through other comprehensive income (FVOCI);
- Derivative financial instruments;
- Reimbursement right of the ACP; and
- Employee benefits.

(c) Functional and presentation currency

These financial statements are presented in balboas (B/.), the monetary unit of the Republic of Panama, which is at par and of free exchange with the U.S. dollar (USD $). The Republic of Panama does not issue paper currency and instead uses the U.S. dollar as legal and functional currency. The ACP's financial statements are expressed in thousands of balboas (B/.).

(3) Summary of Significant Accounting Policies

The ACP has consistently applied the following accounting policies to all the periods presented in these financial statements, except for the changes detailed in Note 3 (p):

(a) Fair value measurement

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between the main market participants on the measurement date, or in its absence, in the most advantageous market to which the ACP has access at the time. The fair value of a liability reflects the effect of a default risk. When applicable, the ACP measures the instrument´s fair value using a quoted price for that instrument in an active market. A market is considered as active if the transactions of these assets or liabilities take place frequently and with sufficient volume and, in addition, information is provided on a continuous basis allowing prices to be set. When there is no quoted price in an active market, the ACP uses valuation techniques that maximize the use of relevant observable input data and minimize the use of unobservable input data. The chosen valuation technique incorporates all the factors that the market participants would take into account when setting the price of a transaction. The best evidence of fair value is a quoted market price in an active market. In the event that the market for a financial instrument is not considered as active, a valuation technique is used. The decision as to whether a market is active can include, but is not limited to, consideration of factors such as the magnitude and frequency of commercial activity, the availability of prices and the magnitude of offers and sales. In markets that are not active, to guarantee that the transaction price provides evidence of fair value or to determine the adjustments to the transaction prices that are necessary to measure the instrument´s fair value, additional work is required during the valuation process.

The ACP recognizes transfers between levels of the fair value hierarchy at the end of the period during which the change occurred.

(3) Summary of Significant Accounting Policies, continued

(b) Transactions with related parties

All transactions with related parties are disclosed based on the established criteria in the International Accounting Standard (IAS 24) -"Related Party Disclosures". The ACP considers as a related party, all Government entities and any individual or legal entity that could be significantly influenced by key ACP personnel or could significantly influence key ACP personnel that participate in operational or financial decisions, or have representation from the ACP in other decision-making bodies, which may affect the preparation and results of the ACP's financial statements. This definition includes and considers as a related party: members of the board of directors and the ACP´s key management personnel, their relatives, dependents or close persons, which include the spouse, their children or children of the spouse, or persons of analogous relationship of affectivity.

(c) Revenue recognition

The ACP utilizes the following five-step model for accounting revenue arising from contracts with customers: (i) identify the contract(s) with the customer; (ii) identify performance obligations; (iii) determine the transaction price; (iv) assign the transaction price to performance obligations to the extent that the contract covers more than one performance obligation; and, (v) recognize income when performance obligations are met. Revenue is recognized in an amount that reflects the consideration that the entity expects to receive in exchange for transferring goods or services to a customer. Depending on whether certain criteria are met, revenues are recognized: over time, in a way that represents the entity's performance; or at a point in time, when the control of the goods or services is transferred to the client. Specific recognition criteria described below are met before the revenue is recognized:

Toll revenue

Toll revenue is recognized at a point in time, when the ship concludes its transit through the Canal. Toll revenue and other marine services are paid in advance, during transit or twenty four (24) hours after invoice is presented for payment, if all services are secured by a bank guarantee.

Sale of electric energy and power

Revenue from the sale of electric energy and power is recognized overtime based on contractual and physical delivery of energy and power valued at contractual rates or at prevailing spot market rates. Revenue includes unbilled amounts for electricity sales and installed capacity supplied but not settled at the end of each period, which are recorded at contractual rates or at estimated prices in the spot market at the end of each period.

Sales of potable water

Revenue from the sale of water is recognized overtime when treated water is delivered based on prices contracted with the Instituto de Acueductos y Alcantarillados Nacionales (IDAAN).

(3) Summary of Significant Accounting Policies, continued

Services rendered

Revenue from other services that include leases of communications structures and buildings, extraction of raw water, among others, are recognized overtime when the client simultaneously receives and consumes the benefits provided by the ACP's performance.

Some long-term concession contracts include the free transfer to the ACP of improvements built by the concessionaire in exchange for its right of use during the concession period. At the time of transfer, those improvements are recognized as investment property using the cost method and depreciated accordingly. A related liability is also recognized for the same value which is amortized to profit or loss through the concession period using the straight-line method. Initial cost is assigned by an independent appraisal at the time of initial recognition.

Interest

Interest accrued on financial instruments measured at amortized cost and financial assets measured at fair value with changes in other comprehensive income (FVOCI) are recognized using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the financial instrument expected life to the carrying amount of the financial asset or liability. Interest income is included in a separate line in the statement of profit or loss. Interest income includes interest earned net of amortized premium and discount.

(d) Transfer to Panamanian Treasury

Transfer to Panamanian Treasury corresponds to net profit minus the funds required for contributions to the investment programs and for other equity reserves approved by the Board of Directors according to the ACP Organic Law.

(e) Fees paid to the Panamanian Treasury

Fees paid to the Panamanian Treasury, which correspond to payments in concept of per net ton transit and public service fees, as mandated by the Panamanian Constitution, are recognized when incurred. By Constitutional mandate, the ACP is not subject to the payment of taxes, duties, tariffs, charges, rates or tribute of a national or municipal nature, with the exception of certain public service fees, per net ton transit fees and employer´s contributions related to social security, educational insurance and workers's compensation.

(f) Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time for their intended use are capitalized as part of the cost of the assets, until all or practically all activities necessary to prepare the asset for its use are completed. All other finance costs are recognized as expenses in the statement of profit or loss in the period they are incurred. Finance costs consist of interest and other costs that the ACP incurs in connection with the borrowing contract.

(3) Summary of Significant Accounting Policies, continued

(g) Property, plant and equipment

Property, plant, and equipment held for use, the production or supply of goods or services, or for administrative purposes, are presented in the statement of financial position at their acquisition cost or production cost, net of accumulated depreciation and impairment that would have occurred. Replacements and improvements of complete elements that increase the useful life of the asset or its economic capacity are accounted for property, plant, and equipment, with the respective retirement of any replaced element. When different parts of significant relative value of property, plant, and equipment have different useful lives, they are accounted separately. Following the accrual principle, periodic maintenance, preservation and repair costs are recognize in profit or loss when incurred. Depreciation is calculated on the cost values following a straight-line method over the estimated useful life of the assets, with the understanding that the land on which buildings and other constructions are settled have an indefinite useful life and, therefore, are not subject to depreciation. The following estimated useful lives are used to calculate depreciation:

Years	Buildings	Structures	Equipments
3 – 15	-	Asphalt roads	Automobiles, trucks, personal computers, servers
20 – 50	Concrete, steel	Water tanks, floating piers, concrete streets	Locomotives, tugs, dredges, floating cranes
75	-	Concrete piers, bridges, range towers	Gates, cranes
100	-	Locks structures, dams, dry-dock	-

Constructions in progress include all direct charges for materials, labor, research, equipment, professional fees and indirect costs related to the works. Once these works are concluded, the construction value will become part of the property, plant, and equipment and its depreciation will begin. Items of property, plant, and equipment are derecognized when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the disposal proceeds and carrying amount of the asset) is included in profit or loss when the asset is derecognized.

(h) Investment properties

Investment properties are measured at acquisition cost, including other related transactional costs. Subsequent to their initial recognition, investment properties are stated at cost applying the same requirements as for property, plant, and equipment.

(3) Summary of Significant Accounting Policies, continued

Transfers of investment properties to properties occupied by the owner or vice versa, are made only when there is a change in the use of the asset, which has been evidenced by:

- The start of the occupation by the ACP, in the case of a transfer of an investment property to property, plant and equipment.
- The end of the occupation by ACP, in the case of transfer of property, plant, and equipment to investment property.

Depreciation is calculated following a straight-line method over the estimated useful life of the assets, with the understanding that the land on which buildings and other constructions are settled have an indefinite useful life and, therefore, are not subject to depreciation. Disbursements due to repairs and maintenance that do not meet the conditions for asset recognition are recognized as expense in profit or loss when incurred.

(i) Impairment of non-financial assets

The ACP assesses, at the reporting date, whether there is an indication that a non-financial asset other than inventories, may be impaired. If any indication exists, the ACP estimates the asset's recoverable amount, defined as the higher of an asset's fair value less costs to sell and its value in use. When the asset's carrying amount exceeds its recoverable value, the asset is considered as impaired and it is adjusted to its recoverable value. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risks to the asset. Determined impairment losses are recognized in profit or loss accordingly. A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset´s recoverable amount. The reversal of an impairment loss is recognized in profit or loss. An impairment loss can only be reversed up to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset.

(j) Inventories

Supplies and materials for operations and fuel inventories are shown at the lower of cost between its acquisition cost and its net realizable value. Inventories are valued using the average cost method based on purchase cost to suppliers, not exceeding the realizable value, net of allowance for obsolescence of supplies and materials. The ACP classifies its inventories as non-current when expected to be used or consumed in the operation after more than twelve (12) months.

(k) Provisions

Provisions are recognized when the ACP has a present obligation, either legal or constructive in nature, as a result of a past event, when it is deemed probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation amount.

(3) Summary of Significant Accounting Policies, continued

The amount recognized as a provision must be the best estimate of the disbursement required to settle the present obligation, at the reporting period, considering the corresponding risks and uncertainties. When a provision is measured using estimated cash flow to settle the present obligation, its carrying amount is the present value of such cash flow at a rate that reflects current market assessments of time value of money and the risk specific to the liability. When the recovery of some or all of the economic benefits required to settle a provision is expected, an account receivable is recognized if it is virtually certain that the income will be received and the amount of the account receivable can be measured with certainty.

(l) Provision for marine accidents and other claims

The ACP is responsible for recording the provision for marine accidents and for claims from counterparts as soon as an economic obligation with high probability derived from these events is known. For marine accidents, when an accident occurs, the ACP performs a detailed investigation in order to determine the causes of the accident. Once the causes are determined and, if applicable, a provision is recorded based on the estimated cost of both permanent and temporary repairs and other related costs, which the Administration concludes are the responsibility of the ACP. On each reporting date, the amount of the provision is reviewed and, if necessary, adjusted to reflect the best estimate at that time.

In the case of contractors and other counterparts, when disputes arise due to the execution, interpretation or termination of a contract, it is first required that the contracting officer assess and determine if the claim has merit and, if so, estimate the probable amount of the obligation to try to reach an agreement with the counterparty. If an agreement is not reached, the contracting officer documents the result of this negotiation, recognizes a provision for the amount of the obligation and the parties go through an administrative dispute resolution process agreed in the contract. In some contracts, arbitration in law is established as the jurisdictional instance for the resolution of disputes.

The ACP will make the corresponding payment of the claims whose merit is duly supported and accepted by the ACP in its administrative stage or in the judicial stage according to Article 69 of the Organic Law or in compliance with a final decision executed by the maritime courts. In those cases, in which the ACP could be liable as a result of a claim for a contract, if it contains an arbitration clause, the claim will be resolved by the mechanism and Arbitration Center established in the respective contract. If there is no arbitration clause in the contract, the case will be resolved by the Third Chamber of the Panamanian Supreme Court of Justice.

(3) Summary of Significant Accounting Policies, continued

(m) Employee benefits

Six collective bargaining units (unions), represent ninety four percent (94%) of the ACP workforce, each with a collective bargaining unit agreement that is periodically negotiated. At September 30, 2020 the following three (3) of these agreements are into negation process:

Collective bargaining union agreement	% of workforce	Starting date	Expected completion date
Non-profesional	84	Fiscal year 2019	Fiscal year 2021
Professional	2	Fiscal year 2019	Fiscal year 2021
Captains, Officers and Marine Engineers	4	Fiscal year 2020	Fiscal year 2021

The agreements of the Pilots and Firefighters unions are in effect until fiscal year 2021.

Voluntary retirement plans

The ACP provides two unfunded defined benefit plans for voluntary retirement of employees. The cost of providing these benefits is determined annually by a qualified actuary using the projected unit credit method. Actuarial gains and losses are fully recognized in the period in which they occurred in comprehensive income. The liability for defined benefits comprises the present value of both, the actual and constructive obligations of defined benefits. Under IAS 19, the ACP determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year, considering any changes in the benefit liability during the period as a result of benefit payments and other criteria.

For defined benefit plans for the voluntary retirement of employees, an actuarial liability is recognized not only for the legal obligation under the formal terms of the plan, but also for the implicit projections of constructive nature arising from expectations created by informal practices.

Defined benefit contribution plan

Retirement benefits for employees are provided through a defined contribution plan through the Caja de Seguro Social which assumes responsibility for retirement. Contributions are made based on parameters set by the Organic Law of that institution. The ACP does not assume responsibility or obligation other than the payment determined by Law.

(n) Reimbursement right of the ACP

The right to reimbursement to the ACP is an insurance policy in which the indemnities return to the ACP to reimburse all the benefits paid to employees as an incentive for voluntary retirement. It is recognized at fair value as a separate asset when it is virtually certain that a third party will reimburse some or all the disbursements required to settle a defined benefit obligation.

(3) Summary of Significant Accounting Policies, continued

Changes in the carrying amount of the right to reimbursement are disaggregated and recognized in the same way as for changes in the carrying amount of the related obligation plan. The components of defined benefit cost are recognized net of changes in the carrying amount of the right to reimbursement. The carrying amount of the right to reimbursement to the ACP, arising from an insurance policy that exactly matches the amount and timing of some or all defined benefits payable in terms of a defined benefit plan, is considered the present value of the related constructive actuarial obligation, subject to any reduction required if the reimbursement is not fully recoverable.

(o) Financial assets and liabilities

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below.

Financial assets are classified as measured at amortized cost and at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represents solely payments of principal and interest. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the asset is derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes accounts receivable and bank deposits.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets are classified as measured at fair value through other comprehensive income when they are held in a business model the objective of which is both, to collect contractual cash flows and sell the financial assets, and the contractual cash flows represents solely payments of principal and interest. This category of financial assets includes debt instruments not classified as financial instruments at fair value with changes recognized in profit and loss or at amortized cost. After the initial recognition, these assets are subsequently measured at fair value. Interest income calculated under the effective interest method and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in the statement of profit or loss. Unrealized gains or losses are reported as net increases or decreases in other comprehensive income in the statement of changes in equity until they are realized.

Derivatives designated as hedging instruments in an effective hedge

Derivatives designated as hedging instruments in an effective hedge are carried on the statement of financial position at fair value. The treatment of gains or losses arising from revaluation is described below in the accounting policy for hedge accounting.

(3) Summary of Significant Accounting Policies, continued

Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of change in value and generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as financial assets measured at amortized cost.

Evaluation of the business model

The evaluation at the portfolio level and the objective of the business model that applies to the financial instruments of these portfolios include the following:

- The policies and objectives set for the portfolio and the operation of those policies in practice that include the Management strategy to define:
  (i) collecting contractual interest income
  (ii) maintaining a defined interest yield profile
  (iii) capacity to sell at any time for liquidity needs or in order to optimize the risk / return profile of a portfolio based on interest rates, risk margins, current duration and the defined goal.
- The way in which the ACP Senior Management team and Board of Directors are informed about the behavior of the different portfolios;
- The risks that affect the performance of the business model (and the financial assets held in the business model) and the way in which these risks are managed;
- The frequency and value of sales in previous periods, the reasons for those sales and expectations about future sales activity.

Evaluation of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purpose of this evaluation, *Principal* is defined as the fair value of the financial asset at the time of initial recognition. *Interest* is defined as the consideration of the value of money over time and the credit risk associated to the amount of the outstanding principal for a particular period of time and for other risks consistent with a basic loan agreement and other associated costs, as well as the profit margin. In assessing whether contractual cash flows are solely payments of principal and interest, the ACP focused on the contractual terms of the instrument. This evaluation considered, among others:

- Contingent events that could change the amount and / or periodicity of cash flows
- Leverage conditions;
- Advance payment terms and extension;
- Terms that limit the ACP to obtain cash flows from specific assets (example, asset agreements without resources); and
- Characteristics that modify the considerations for the value of money over time (example, periodic review of interest rates).

(3) Summary of Significant Accounting Policies, continued

Impairment of financial assets

At the reporting date, the ACP determines whether there is an objective evidence of impairment in the financial instruments, and, if so, the reserve method to provide for losses in the financial instruments is used. The ACP applies an Expected Credit Loss Model (ECL) to assess impairment on trade and other accounts receivable, bank deposits and debt instruments.

The assessment of whether credit risk of a financial asset has significantly increased is one of the critical judgments in the impairment model. Loss allowances are recognized for the amount equivalent to the 12-month ECL or for the residual maturity of the financial asset, whichever is lower, for financial instruments on which the credit risk has not significantly increased since its initial recognition. The 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are possible within a 12-month period after the reporting date. For impaired assets, the ECL is the difference between the carrying value and the present value of the estimated future cash flows to be collected. A financial asset is considered impaired when it is unlikely that the debtor will fully pay his credit obligations to the ACP, without resources from the ACP to enforce compliance such as executing the collateral if available; or the debtor has a delinquency of more than 90 days in any significant credit obligation. For fixed income financial instruments, the ACP also considers: low external rating of the issuer; lack of contractual payments on the due date or in the stipulated period or grace period; if there is a virtual certainty of suspension of payments; if there is likelihood of a bankruptcy; filing of a bankruptcy petition or similar action; and/or the financial asset stops trading in an active market given its financial difficulties. The inputs used in the evaluation of whether financial assets are impaired, and their importance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

The evaluation of whether a credit risk of a financial asset has increased significantly since its initial recognition, considers reasonable and sustainable information that is relevant and available without disproportionate cost or effort, including information and analysis of a quantitative and qualitative nature based on historical experience and the expert evaluation of credit including: projections of future cash flows, variations in the credit risk rating, and atypical increases in the credit margin or in the reference prices of the credit default swaps (CDS) for the financial instruments.

Credit risk rating

At initial recognition a credit rating is assigned to each exposure based on available information about the debtor. Exposures will be subject to continuous monitoring, which may result in a change to a different credit risk rating. For investments in debt instruments and time deposits, credit risk ratings of international short-term investments from Standard & Poors, Moody's and Fitch Ratings, Inc. and its changes are used to establish whether a significant increase in risk has occurred. For financial assets that do not have an available international credit risk rating, a credit risk rating is assigned through the use of a quantitative model of payment default prediction that assigns a credit rating equivalent to that of Standard & Poor’s which considers the application of expert credit judgment.

(3) Summary of Significant Accounting Policies, continued

Generating the probability of default (PD) term structure

Credit risk ratings are the main input to determine the PD term structure for different exposures. The PD is estimated using approximates of liquid markets based on international credit risk ratings of investments or deposits.

Assessment of significant increase in credit risk

The criteria for determining whether the credit risk has increased significantly will vary by portfolio and will include limits based on defaults. The ACP assesses whether the credit risk of a particular exposure has increased if, based on a quantitative model, the probability of expected credit loss in the remaining life increased significantly since the initial recognition. In determining the increase in credit risk, the expected credit loss in the remaining life is adjusted for changes in maturities. In certain circumstances, by using credit expert's judgment and relevant historical information, the ACP may determine that an exposure has experienced a significant increase in credit risk if qualitative factors indicate so and those factors may not be fully captured by the quantitative analysis performed periodically. The effectiveness of the criteria used to identify significant increases in credit risk is monitored through regular reviews.

Inputs in the measurement of the ECL

The following variables are key inputs used in measuring ECL:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD is the probability of default of one year applied to the portfolio to account for 12-month ECL and lifetime probability of default to account for more than 12-month ECL. The default rates are obtained from the Bloomberg system (1-yr Default Probability) for counterparties that have a credit risk rating. For financial instruments that do not have a credit risk rating, the S&P Global Income Research and S&P Creditpro transition table is used as a source. The LGD for financial assets is the estimated loss percentage of the amount exposed in case of default. The LGD is obtained from the Bloomberg system for counterparties that have a credit risk rating. For financial instruments that do not have a credit risk rating, Bloomberg (1-yr Default Probability and Loss Given Default) are used in the same way. The EAD is the outstanding balances of the principal amount and interest on financial assets at the reporting date.

Derecognition of financial assets

A financial asset is derecognized only when the contractual rights to receive the cash flows from the asset have expired; or when all the risks and rewards of ownership of the financial asset have been substantially transferred. If all the risks and rewards of the property are not transferred or substantially withheld and control of the transferred asset is continued, then the interest withheld on the asset and a related liability for the amounts that it may have to pay are recognized. If substantially all the risks and rewards of ownership of a transferred financial asset are retained, the financial asset continues to be recognized and a guaranteed liability is also recognized for the amount received.

(3) Summary of Significant Accounting Policies, continued

Financial liabilities

Financial liabilities are initially recognized at fair value in addition to the direct transaction costs. After initial recognition, the financial liabilities are measured at amortized cost using the effective interest rate method. Gain or loss is recognized in profit or loss when a financial liability is derecognized as well as through the amortization process. Financial liabilities include borrowings, bonds payable, trade and other payables, and other financial liabilities.

Borrowings and bonds payable

Borrowings and bonds payable are initially recognized at fair value at their respective contractual dates, including the costs attributable to the transaction. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. The amortized cost is calculated considering any premium or discount at the time of purchase and the wages or fees that belong to the effective interest rate.

Trade and other payable

Accounts payable do not earn interest and are carried at their face value.

Hedge accounting

Derivative financial instruments held for risk management purposes are measured at fair value in the statement of financial position. These instruments are initially recognized at fair value at the date a hedging contract is entered into and are subsequently remeasured to their fair value at each reporting date.

On initial designation of the hedge, the ACP formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The ACP makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. The ACP uses financial instruments designated as hedges to manage the interest rate risks and the variability of light diesel prices used in its operations. These financial instrument contracts designated as hedges are classified as cash flow hedges and they are reported as assets or liabilities, as applicable. Any ineffectiveness must be reported in current-year profit or loss.

Hedge accounting relationship

When the ACP enters into a hedge accounting relationship, the first requirement is that the hedging instrument and the hedged item must be expected to move in the opposite direction as a result of the change in the hedged risk. This requirement is fulfilled for the hedging relationships carried by the ACP as the underlying of the hedging instrument matches or is closely aligned with the hedged risk. The ACP makes a qualitative assessment which considers the following: a) maturity; b) nominal amount; c) cash flow dates; d) interest rate basis; and e) credit risk.

(3) Summary of Significant Accounting Policies, continued

Hedge ratio

The hedge ratio is the relation between the amount of hedged item and the amount of the hedging instrument. For most of the hedging relationships, the hedge ratio is 1:1 as the underlying of the hedging instrument perfectly matches the designated hedged risk. For a hedging relationship with a correlation between the hedged item and the hedging instrument that is not 1:1 relationship, generally set the hedge ratio so as to adjust for the type of relation in order to improve effectiveness.

Discontinuation of hedge accounting

The ACP discontinues hedge accounting prospectively in the following situations: when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated or exercised; or it is determined that designation of the derivative as a hedging instrument is no longer appropriate.

Cash flow hedges

The effective portion of changes in the fair value of financial instruments that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedge item, determined on a present value basis, from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, within the same line of the statement of profit or loss as the recognized hedged item. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or the non-financial liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss accumulated in equity is recycled from equity to profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized if it expires, cancels or pays the obligations of the ACP and when its conditions are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized based on the new conditions at fair value.

(p) *Leases*

IFRS 16 replaces IAS 17 *Leases* standard, IFRIC 4 *Determination of whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires that lessees recognize most leases in the statement of financial position.

(3) Summary of Significant Accounting Policies, continued

The lessor's accounting under IFRS 16 did not change substantially in relation to the provisions of IAS 17. Lessors will continue to classify leases as operating or financial using principles similar to those of IAS 17. Therefore, IFRS 16 has an impact on leases where the ACP is the lessee.

As of October 1, 2019, the ACP adopted IFRS 16 using the modified retrospective method with the cumulative effect of the initial application of the standard on accumulated earnings, if any, and without the reformulation of the comparative information.

Policy applicable as of October 1, 2019

At the beginning of a contract, the ACP evaluates whether a contract is, or contains, a lease. A contract is, or contains, a lease if it provides the right to control the use of an asset for a period of time in exchange for a consideration. To determine whether a contract conveys the right to control the use of an identified asset, the ACP uses the definition of lease in IFRS 16. This policy applies to contracts entered into on or after October 1, 2019.

IFRS 16 changes the way of the lease accounting for lessees, using a unique model to account for such transactions. This unique model determines that a lessee must recognize a right-of-use asset, which represents his right to use the underlying asset, and a lease liability, which represents his obligation to make future lease payments. IFRS 16 includes exemptions for its application for short-term leases and leases in which the underlying asset is of low value.

As a lessee

At the beginning or when a contract containing a lease component is modified, ACP assigns consideration in the contract to each lease component based on their individual prices. However, for lease contracts including non-lease components, the ACP has decided not to separate it from the lease components and, instead, for each contract both components were accounted for as a single lease component.

The ACP recognizes a right-of-use asset and a lease liability on the initial date of the lease. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payment made on or before the initial date, plus the initial direct costs incurred and an estimate of the costs required to dismantle and remove the underlying asset or to restore the underlying asset or the site where it is located, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the initial date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the ACP at the end of the lease term or the cost of the right-of-use asset shows that the ACP will exercise a purchase option. In such case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is based on determined on the same method applied for property, plant and equipment. Additionally, the cost of the right-of-use asset may be reduced periodically due to impairment, if any, and adjusted by new measurements of the lease liability.

(3) Summary of Significant Accounting Policies, continued

Lease liability is initially measured at the present value of unpaid lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the incremental borrowing rate of the ACP. The ACP determines its incremental interest rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the leased asset.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments; variable lease payments that depend on an index or a rate initially measured using the index or rates on the start date; amounts expected to be paid under a residual value warranty; the price to be exercised under a purchase option that the ACP is reasonably sure to exercise; the lease payments in an optional renewal period if the entity is reasonably certain to exercise an extension option; and the penalties for early termination of a lease unless the ACP is reasonably certain not to terminate it early.

Lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments derived from: a change in an index or rate, if there is a change in the estimate of the amount expected to be paid under a residual value warranty; if the entity changes its assessment of whether it will exercise a purchase, extension or termination option; or, if there is a revised fixed lease payment. Consequently, the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The ACP presents the right-of-use assets and lease liabilities on separate lines in the statement of financial position.

Short-term leases and low-value asset leases
The ACP has decided not to recognize right-of-use assets and lease liabilities from short-term lease contracts and those involving low-value assets of B/.10. Lease payments associated with these contracts are recognized as expense during the lease term.

Impact on the financial statements
On the date of transition to IFRS 16, the ACP recognized right-of-use assets of B/.13,593 and lease liabilities of B/.13,593, without recognizing any difference in earnings available for distribution.

(3) Summary of Significant Accounting Policies, continued

When measuring the lease liabilities for those lease contracts that were classified as operating leases, the ACP discounted the lease payments using its incremental borrowing rate as of October 1, 2019.

	October 1, 2019
Operating lease commitments as of September 30, 2019 (IAS 17)	15,814
Discounted at the incremental financing rate as of October 1, 2019	(484)
Recognition exception for leases of low-value and short-term assets	(1,737)
Recognition except for leases of low-value and short-term assets	13,593

As a lessor

At the beginning or when a contract containing a lease component is modified, the ACP assigns consideration in the contract to each lease component base on their individual prices. When the ACP acts as lessor, it determines at the beginning of the lease whether it is financial or operational. To classify each lease, the ACP performs a general assessment of whether the lease transfers substantially all of the risks and rewards related to ownership of the underlying asset. If this is the case, then the lease is financial, if not, then it is operational. As part of this assessment, certain indicators are considered such as whether the lease is for most of the economic life of the underlying asset. If an agreement contains lease components and non-lease components, then IFRS 15 applies to allocate the consideration in the contract.

Lease payments received under operating leases are recognized as revenue during the lease term as part of *Other income* in the statement of profit or loss.

Policy applicable before October 1, 2019:

For contracts entered into prior to October 1, 2019, the ACP determined whether the agreement was or contained a lease based on an assessment of the following conditions: compliance with the agreement depended on the use of a specific asset or assets and the agreement had conveyed the right to use the asset. An agreement conveyed the right to use the asset if one of the following is met: (i) the buyer had the ability or the right to operate the asset while obtaining or controlling more than an insignificant amount of the production; (ii) the buyer had the ability or the right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the production; or, (iii) facts and circumstances indicated that it was remote for other parties to take more than an insignificant amount of the production, and the unit price was not fixed per unit of production nor equal to the current market price per unit of production.

As a lessee

The ACP classified the leases that transferred substantially all the risks and benefits of the property as finance leases. When this was the case, leased assets were initially measured at an amount equal to the lesser of their fair value and the present value of the minimum lease payments. The minimum lease payments were the payments during the lease term that the lessee had to make, excluding any contingent rent.

(3) Summary of Significant Accounting Policies, continued

After initial recognition, the assets were accounted for in accordance with the accounting policy applicable to those assets. Assets held under other leases were classified as operating and were not recognized in the statement of financial position. Payments made under operating leases were recognized in profit or loss during the term of the lease. The lease incentives received were recognized as an integral part of the total lease expense, during the lease term.

As a lessor

The ACP determined at the start of the lease whether each lease was financial or operational. To classify each lease, a general assessment was made of whether the lease transferred substantially all risks and rewards related to ownership of the underlying asset. If this was the case, then the lease was considered financial; if not, then it was classified as operational. As part of this assessment, certain indicators were considered, such as whether the lease was for most of the economic life of the underlying asset.

(q) New International Financial Reporting Standards (IFRS) and Interpretations not yet adopted

A series of new rules go into effect for annual periods beginning after January 1, 2020 and early application is allowed; however, the ACP has not early adopted these new standards or amendments when preparing these financial statements as of September 30, 2020, whose annual period began on October 1, 2019.

The following new standards and amendments, required shortly by IFRS, are not expected to have a significant impact on the ACP's financial statements.

Effective date — Annual periods beginning on:	New standards or amendments (upcoming IFRS requirements)
1 January 2020	• Amendments to References to Conceptual Framework in IFRS Standards • Definition of Material (Amendments to IAS 1 and IAS 8) • Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
1 June 2020	• COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	• Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
1 January 2022	• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) • Annual Improvements to IFRS Standards 2018-2020 • Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
1 January 2023	• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

(3) Summary of Significant Accounting Policies, continued

Critical accounting judgments and key sources of estimation uncertainty

These financial statements are prepared in conformity with IFRS which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. Future actual results could differ from those estimates. Significant estimates for these financial statements include, but are not limited to:

- determination of whether revenue is recognized over time or at a point in time;
- determination of the useful life of fixed assets (Note 4);
- recoverability of property, plant, and equipment, including construction in progress balances (Note 4);
- measurement of ECL allowance and key assumptions in determining the weighted average loss rate and the fair value of financial instruments (Note 26);
- estimated actuarial liability for the defined benefit plans for employee retirement and the right to reimbursement on these plans (Note 25); and
- estimates for the provision for marine accident and other claims and contingent liabilities (Notes 20 and 30, respectively).

(4) Property, Plant and Equipment

The movement and reconciliation of the property, plant, and equipment are detailed as follows:

	Buildings	Structures	Equipment	Land	Constructions in progress	Total
Cost:						
Balance at October 1, 2018	206,993	5,685,269	2,947,904	1,023,137	629,354	10,492,657
Additions and other adjustments	9,140	582,343	64,807	181	(460,609)	195,862
Retirements	(64)	(864)	(33,391)	0	0	(34,319)
Balance at September 30, 2019	216,069	6,266,748	2,979,320	1,023,318	168,745	10,654,200
Additions and other adjustments	1,223	62,255	28,828	0	9,626	101,932
Claim adjustment	0	(244,700)	0	0	0	(244,700)
Retirements	(171)	(177)	(10,270)	0	0	(10,618)
Balance at September 30, 2020	217,121	6,084,126	2,997,878	1,023,318	178,371	10,500,814
Accumulated depreciation:						
Balance at October 1, 2018	(50,505)	(566,718)	(932,970)	0	0	(1,550,193)
Depreciation	(4,780)	(95,006)	(110,947)	0	0	(210,733)
Retirements	63	361	33,204	0	0	33,628
Balance at September 30, 2019	(55,222)	(661,363)	(1,010,713)	0	0	(1,727,298)
Depreciation	(4,723)	(102,678)	(115,869)	0	0	(223,270)
Retirements	152	87	10,236	0	0	10,475
Balance at September 30, 2020	(59,793)	(763,954)	(1,116,346)	0	0	(1,940,093)
Net carrying value:						
Balance at September 30, 2020	157,328	5,320,172	1,881,532	1,023,318	178,371	8,560,721
Balance at September 30, 2019	160,847	5,605,385	1,968,607	1,023,318	168,745	8,926,902

(4) Property, Plant and Equipment, continued

The movement and reconciliation of the constructions in progress are detailed as follow:

	Investment Program - Canal Expansion	Investment Program - Other	Constructions in Progress Total
Balance at October 1, 2018	4,906	624,448	629,354
Additions	3,440	192,279	195,719
Transfers to property, plant and equipment	(1,681)	(654,647)	(656,328)
Balance at September 30, 2019	6,665	162,080	168,745
Additions	(366)	102,956	102,590
Transfers to property, plant and equipment	(6,299)	(86,665)	(92,964)
Balance at September 30, 2020	0	178,371	178,371

During 2020, as part of the Panama Canal Expansion Program the ACP capitalized B/.6,299 (2019: B/.1,681). In total, an amount of B/.5,498,450 (2019: B/.5,736,849) has been capitalized in 593 assets as part of this Program since its approval in 2006.

On September 2020, a reduction on the amount of B/.244,700 was applied to Agua Clara and Cocolí Locks structure assets, based on the Partial Award that ordered Grupo Unidos por el Canal, S.A. (GUPCSA) to repay the ACP previously awarded payments pursuant to a Dispute Adjudication Board (DAB) decision (Note 6).

The ACP keeps in effect a Payment Bond of B/.50,000 issued by an insurance company which guarantees payment from GUPCSA, of labor, materials and equipment used for the execution of the contract for Design and Construction of the Third Set of Locks. In addition, a Performance and Defects Guarantee for a total of B/.200,000, consisting of a payment bond B/.50,000 issued by an insurer, and joint and several corporate guarantees for a total of B/.150,000. Both insurers have international investment grade granted by Standard & Poor’s.

During 2020, the ACP recognized impairment losses on equipment for an amount of B/.144 (2019: B/.692). Depreciation expense for B/.2,547 (2019: B/.1,899) corresponded to equipment used in investment projects that were capitalized as property, plant and equipment.

(5) Trade and Other Receivables

Trade and other receivables are detailed as follows:

	2020	2019
Toll and other marine services	9,514	6,420
Sale of electricity and power	3,073	10,930
Sale of potable water	7,662	7,656
Other government entities	16,643	14,198
Other services	1,470	2,161
Sub-total	38,362	41,365
Less: allowance for expected credit loss (ECL)	(846)	(2)
Total trade and other receivables	37,516	41,363

	2020	2019
Current	20,751	41,363
Non-current	16,765	0
Total	37,516	41,363

Accounts receivable do not generate interest and their maturity term is 30 days or less. The aging analysis of past due but not impaired receivables is as follows:

	2020	2019
60 – 90 days	280	4
90 – 180 days	811	24
More than 180 days	16,596	0
Total	17,687	28

(6) Receivable from Contractor

Accounts receivable from contractor are detailed as follows:

	2020	2019
GUPCSA	244,700	0
Less: allowance for expected credit loss (ECL)	(45)	0
Total receivable from contractor	244,655	0

On September 25, 2020 a Partial Award was rendered which dismissed GUPCSA (the Plaintiffs) claims regarding the concrete mix, concrete aggregate, return on investment and extension of time. The Tribunal ordered the Plaintiffs to reimburse the ACP the sum of B/.265,300 less the amounts ACP was ordered to pay to the Plaintiffs in this partial award for B/.20,600 concerning: on-site laboratory, foundation conditions, unforeseeable physical conditions in the Aguadulce Fault Zone and Lock Head 1 Fault Zone for a cumulative balance in favor of the ACP of B/.244,700 (Note 30). This is a partial amount, as there are costs yet to be included in the Final Award.

(7) Investment Properties

The reconciliation of the carrying amount of investment properties, which are measured by the ACP using the 'cost model', is as follows:

	Buildings	Structure	Equipment	Land	Total
Cost:					
Balance at October 1, 2018	0	0	0	89,831	89,831
Additions and other adjustments	6,778	0	927	0	7,705
Balance at September 30, 2019	6,778	0	927	89,831	97,536
Additions and other adjustments	166	185	964	0	1,315
Impairment loss	(5,000)	0	0	0	(5,000)
Balance at September 30, 2020	1,944	185	1,891	89,831	93,851
Accumulated depreciation:					
Balance at October 1, 2018	0	0	0	0	0
Depreciation	(102)	0	(40)	0	(142)
Balance at September 30, 2019	(102)	0	(40)	0	(142)
Depreciation	(130)	(49)	(175)	0	(354)
Balance at September 30, 2020	(232)	(49)	(215)	0	(496)
Net carrying value:					
Balance at September 30, 2020	1,712	136	1,676	89,831	93,355
Balance at September 30, 2019	6,676	0	887	89,831	97,394

The ACP's investment properties are composed as follows:

- An area of 180,345 square meters of land, water area and underwater bottom, with a carrying value of B/.52 (2019: B/.52) and fair value of B/.68,709 (2019: B/.117,835), granted in concession to the Panama International Terminal, S.A. (PSA) for a period of twenty (20) years, with a renewal option for the same period subject to ACP determination to develop, build, operate and manage a container yard and two docks.
- An area of 1,499.95 square meters of property No.196761 with a carrying value of B/.22 (2019: B/.22); and a cinema consisting of a building, improvements and equipment with a fair value of B/.7,705 on its initial recognition date, built on that plot, granted in concession to Large Screen Cinema Corp. for a period of ten (10) years. Considering the adverse effects of the COVID-19 pandemic, the ACP determined that its fair value was B/.2,390, recognizing an impairment adjustment of B/.5,000 in its carrying value (Note 21). As of September 30, 2020, the carrying value of the concession is B/.2,405 (2019: B/.7,585).
- A land with an area of 464,759.71 square meters, located on the east bank to the south end (Pacific) of the Canal bordering the Canal channel and other land owned by the ACP, with a carrying value of B/.89,757 (2019: B/.89,757) and fair value of B/.90,628 (2019: B/.90,628) as per independent appraisal of September 2020 issued by the Ministerio de Economía y Finanzas (MEF) of the Republic of Panama.
- Fully depreciated buildings leased to third parties and toll road structures and equipment with a carrying value of B/.1,141 (2019: B/.0) and fair value of B/.24,794 (2019: B/.24,965).

During the year, the income generated by the ACP from the rental of buildings and land concessions was B/.4,827 (2019: B/.3,773).

(8) Inventories, Net

Inventories, net are detailed as follows:

	2020	2019
Supplies and materials	70,794	67,021
Fuel	8,271	7,466
Less: provision for inventories obsolescence	(6,700)	(5,600)
Inventories, net	72,365	68,887
Current	8,271	7,466
Non-current	64,094	61,421
Total	72,365	68,887

Changes in the estimate for obsolescence of supplies and materials inventories are as follows:

	2020	2019
Balance at the beginning of the year	5,600	4,084
Increase	2,506	1,944
Write-off	(1,406)	(428)
Balance at the end of the year	6,700	5,600

During 2020, the ACP recognized material and supplies and fuel expenses amounting to B/.30,343 (2019: B/.43,112) and B/.40,349 (2019: B/.72,957), respectively, in profit or loss.

(9) Other Financial Assets

Other financial assets are detailed as follows:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost:				
Time deposits over 90 days	2,775,669	2,786,655	1,515,512	1,519,248
Accrued interest receivable	14,195	14,178	27,724	27,724
	2,789,864	2,800,833	1,543,236	1,546,972
Financial instruments measured at fair value with changes in other comprehensive income (FVOCI):				
Corporate debt securities	1,011,459	1,011,459	2,770,136	2,770,136
Financial instruments designated as hedge instruments measured as fair value:				
Diesel purchase call option contract	367	367	1,020	1,020
	3,801,690	3,812,659	4,314,392	4,318,128

At September 30, 2020, the unrealized gain on financial instruments measured at FVOCI amounted to B/.1,496 (2019: unrealized gain of B/.2,484) which was recognized in other comprehensive income.

(9) Other Financial Assets, continued

During 2020, the ACP sold financial instruments measured at FVOCI amounting to B/.180,771 (2019: B/.331,384), recognizing a net realized gain of B/.10 (2019: net realized loss of B/.394); and corporate debt securities that were collected upon expiration amounted to B/.3,529,407 (2019: B/.3,735,092).

In accordance with the Organic Law, the ACP's funds must be placed in short-term investment grade debt instruments and may not be used to buy other types of investment financial instruments issued by Panamanian or foreign public or private entities, neither to grant loans to said entities nor to the National Government. Investments in securities and time deposits are negotiated and recorded in US dollars. At September 30, 2020 and 2019, all the ACP's investments were placed in instruments with an investment grade and short-term maturity. The annual interest rate of return of other financial assets (excluding current and saving accounts) was 2.0326% (2019: 2.93%) paid at the end of each term and with a maximum maturity of a year.

Financial instruments designated as hedge instruments:

In August 2020, the ACP subscribed an Asian style call option contract effective October 1, 2020 with the objective of hedging the risk of variability of future cash flows attributable to the price fluctuation of light diesel that the ACP expects to purchase for its operations during fiscal year 2021, in accordance with its forecast.

(10) Accrued Interest Receivable

Accrued interest receivable is detailed as follows:

	2020	**2019**
Accrued interest receivable on:		
Corporate debt securities at FVOCI	5,340	25,127

(11) Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	2020	**2019**
Cash on hand	29	41
Deposits in current accounts	202,748	18,826
Deposits in saving accounts	69,379	24,877
Time deposits with original maturities under 90 days	693,305	14,001
Accrued interest receivable	80	87
Total cash and cash equivalents	965,541	57,832

Cash deposit in bank accounts earns interest based on daily rates determined by banks. At September 30, 2020, interest rates were between 0.02% and 0.55% (2019: 0.08% and 2.5%). These resources are primarily to cover ACP obligations and there were no restrictions over the balance of cash and cash equivalents (2019: no restrictions).

(12) Contributed Capital

Article 316 of the Political Constitution of the Republic of Panama states that the ACP has its own patrimony and the right to manage it. Upon the transfer of the Canal to the Republic of Panama at noon on December 31, 1999, the ACP became the administrator of all goods and real estate property identified in the Organic Law of the ACP as the required patrimony to operate and maintain the Canal. This patrimony is divided into two groups: the inalienable patrimony, comprised of land, lakes, rivers, dams, locks and anchorages, as established in Article 2 of the Organic Law; and the economic patrimony, comprised of all those installations, buildings, structures and equipment that support the operation of the Canal, as established in Article 33 of the same Law.

At September 30, 2020, the contributed capital of the ACP amounted to B/.1,906,336 (2019: B/.1,906,336). During 2019, the Republic of Panama transferred to the ACP a lot of land as a donation with a fair value of B/.143 at its initial recognition date.

(13) Investment Program Contributions and Reserves

Changes in investment programs contributions, debt repayment contributions, and reserves, as of September 30, 2020, are detailed as follows:

	2020	Increase (decrease)	2019	Increase (decrease)	2018
Contributions:					
Investment programs	5,852,479	(68,217)	5,920,696	(32,061)	5,952,757
Debt repayment	345,000	230,000	115,000	115,000	0
	6,197,479	161,783	6,035,696	82,939	5,952,757
Reserves:					
Working capital, contingencies, and catastrophic events	767,289	192,200	575,089	8,640	566,449
Strategic for growth, sustainability and debt service	770,200	74,700	695,500	150,500	545,000
	1,537,489	266,900	1,270,589	159,140	1,111,449
Total	7,734,968	428,683	7,306,285	242,079	7,064,206

Contributions

Investment programs

At September 30, 2020, the ACP decreased the funds of the investment programs by a net amount of B/.68,217 (2019: net decrease of B/.32,061). Funds contributed to the Investment Program – Others were decreased by net of B/.68,217 (2019: net increase of B/.515,898) for a contributed total of B/.2,140,063 (2019: B/.2,208,280); while no funds were contributed to or deducted from the Investment Program – Canal expansion (2019: net decreased of B/.547,959) for a contributed total amount of B/.3,712,416 (2019: B/.3,712,416). This contribution includes a contingency amount for the Investment Program - Others, which is set each year; the unused balance is transfer to surplus at end of the year.

Debt repayment

The ACP established an equity contribution to segregate the funds required for the scheduled repayments of its long-term debt used to finance the investment programs.

(13) Investment Program Contributions and Reserves, continued

Reserves

Working capital, contingencies and catastrophic events

The ACP maintains an equity reserve for working capital and contingencies, as well as to cover deductible amounts related to catastrophic risks insurance policies to ensure and facilitate its long-term financial standing.

Strategic to cover growth, sustainability and debt service

The ACP established an equity reserve to maintain strategic sustainability and competitiveness of the Canal ensuring the availability of funds to meet additional needs of existing investment projects and to take advantage of growth opportunities requiring the implementation of new investment projects as well as to cover debt service.

The Organic Law establishes that, after covering the costs for operation, investment, modernization, and expansion of the Canal, as well as the necessary reserves provided by the Law and Regulations, any surplus shall be forwarded to the National Treasury in the following fiscal period.

(14) Other Equity Accounts – Components of Other Comprehensive income

Other equity accounts are composed entirely by the unrealized gain (loss) for the valuation of the cash flows hedging instruments, the unrealized (loss) in actuarial valuations of the defined post-employment benefit plans and the unrealized gain (loss) on financial instruments.

Adjustments during the year to the other equity accounts – other comprehensive income (loss) (OCI) are as follows:

	2020	**2019**
Balance at the beginning of the year	(103,321)	(56,959)
Adoption impact of IFRS 9 as of October 1, 2018	0	754
	(103,321)	(56,205)
Actuarial valuations:		
Net remeasurement losses of employee defined benefit plans	(517)	(1,510)
Other comprehensive income not to be reclassified to profit or loss	(517)	(1,510)
Financial instruments with changes in OCI:		
Reclassification of gains (losses) to profit or loss for the year	2,740	(171)
Net unrealized (loss) gain during the year	(990)	3,465
Cash flow hedges:		
Light diesel purchase call option and price swap contracts:		
Net unrealized losses of non-yet matured contracts	(1,602)	(1,058)
Interest rate swap contracts:		
Reclassification of gains to profit or loss of the year	22,664	13,806
Net losses of non-yet matured contracts	(32,795)	(61,648)
Other comprehensive income to be reclassified to profit or loss	(9,983)	(45,606)
Other comprehensive losses of the year	(10,500)	(47,116)
Balance at the end of the year	(113,821)	(103,321)

(15) Earnings available for distribution

The Organic Law establishes that after covering the costs for the investment programs and the reserves, (Note 13), subject to the approval of the Board of Directors that declares surpluses, any surplus shall be remitted to the Panamanian Treasury in the following fiscal period. Therefore, the ACP, subject to Board of Directors order will transfer the total amount of B/.1,281,448 to the Panamanian Treasury which corresponds to the earnings available for distribution for the year ended September 30, 2020 (2019: B/.1,251,892). (Note 32)

The contributions transferred or to be transferred to the Panamanian Treasury are as follows:

	2020	2019
Payments to the Panamanian Treasury:		
Fees per net ton	540,644	532,583
Public service fees	2,035	1,938
Sub-total	542,679	534,521
Earnings available to distribute (Note 32)	1,281,448	1,251,892
Total	1,824,127	1,786,413

(16) Borrowings

Borrowings are detailed as follows:

Credit Facilities	Interest rate %	Maturity	2020	2019
European Investment Bank (EIB)	Libor 6 months + 0.811	15-Nov-28	255,000	285,000
European Investment Bank (EIB)	Libor 6 months + 0.824	15-Nov-28	85,000	95,000
European Investment Bank (EIB)	5.196	15-Nov-28	85,000	95,000
Development Bank of Latin America (CAF)	Libor 6 months + 1.20	15-Nov-28	127,500	142,500
Development Bank of Latin America (CAF)	Libor 6 months + 1.40	15-Nov-28	127,500	142,500
International Finance Corporation (IFC)	Libor 6 months + 1.30	15-Nov-28	255,000	285,000
Inter-American Development Bank (IDB)	Libor 6 months + 1.05	15-Nov-28	340,000	380,000
Japan Bank for International Cooperation (JBIC)	Libor 6 months + 0.75	15-Nov-28	680,000	760,000
	Sub-total		1,955,000	2,185,000
	Accrued interest payable		13,507	30,530
	Total borrowings		1,968,507	2,215,530

Borrowings under these credit facilities will be repaid in twenty (20) consecutive equal semi-annual installments for an aggregate amount of B/.115,000 until final due date on November 15, 2028.

The classification analysis of the borrowings under these credit facilities in accordance with their repayment schedule is as follows:

	2020	2019
Non-current borrowings	1,725,000	1,955,000
Current borrowings	230,000	230,000
Accrued interest payable	13,507	30,530
Total	1,968,507	2,215,530

(16) Borrowings, continued

Through the life of these credit facilities, the ACP shall demonstrate compliance with following two (2) financial ratios:

- **Total debt to EBITDA:** the ACP should maintain, as of the end of every semi-annual fiscal period of the ACP, a ratio less than 2.5 at the end for such measurement period; and
- **Debt service coverage:** the ACP should maintain at the end of every semi-annual fiscal period of the ACP, a ratio of no less than 3.0 at the end for such measurement period.

The compliance with these restrictive financial covenants is reported in an annually basis to the lenders (five multilateral agencies) detailed above. The following are the key definitions included the Credit Line Master Agreement that should be considered when calculating the financial ratios that the ACP (the Borrower) is required to comply with:

- EBITDA means, for any period, the sum, without duplication, of (a) net income (or net loss), (b) interest expense (as long as it has not been capitalized for purposes of calculating net income), (c) depreciation expense, and (d) amortization expense, in each case determined by reference to and in accordance with the Borrower's financial statements for such period.

- Debt for borrowed money means, without duplication, (a) all credit facility obligations, (b) all indebtedness of the Borrower for borrowed money, (c) all obligations of the Borrower evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of the Borrower under acceptance, letter of credit or similar facilities, (e) all obligations of the Borrower as lessee under any capitalized lease or synthetic or finance lease, (f) all obligations of the Borrower created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Borrower (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (g) all obligations arising under any other instrument or transaction related to project financings, all contingent liabilities and all operating leases, in each case that would be treated as a borrowing for purposes of IFRS (and in each case as quantified in accordance with IFRS and set forth (or to be set forth) in the Borrower's financial statements), and (h) any debt of the type referred to in clauses (a), (b), (c), (d), (e), (f) or (g) hereof of any other person, which is guaranteed by the Borrower or secured by the liens permitted pursuant to Section 5.02 (a) (Limitations on Liens) of the Common Terms Agreement.

- Debt service means, for any period or at any time, as the context may require, the sum of regularly scheduled interest payable on and amortization of debt discount in respect of all debt for borrowed money, plus regularly scheduled principal amounts of all debt for borrowed money.

(16) Borrowings, continued

At September 30, 2020, the ACP was in compliance with the aforementioned restrictive financial covenants and the results of their calculation are as follows:

	2020	2019
Total debt to EBITDA	1.2	1.6
Debt service coverage	7.8	6.3

Finance cost is detailed as follows:

	2020	2019
Interest on bonds and loans	76,936	107,893
Cash flow hedge	22,664	13,806
Leases (Note 27)	268	0
Other finance cost	2,488	782
Sub-total	102,356	122,481
Less: amount of capitalized finance costs	0	(19,242)
Total finance cost	102,356	103,239

(17) Bonds Payable

Bonds payable are detailed as follows:

	Interest rate%	Maturity	2020	2019
Bond 2035	4.95	July 29, 2035	450,000	450,000
Less: discount and issuing costs			(7,948)	(8,513)
Plus: accrued interest payable			3,712	3,712
Total bonds payable			445,764	445,199

These bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and are being offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act ("Regulation S").

These bonds have a fixed annual rate of 4.95% and their effective interest rate is 5.17%. Their principal amount will be repaid in four semi-annual installments of B/.112,500, from January 29, 2034, and maturing on July 29, 2035.

As long as any of the bonds remain outstanding, the ACP (the Issuer) will furnish to holders:

- as soon as they are available, but in any event within 120 calendar days after the end of each fiscal year of the Issuer, copies of its audited financial statements in respect of such fiscal year, in English, prepared in accordance with IFRS and audited by a member firm of an internationally recognized firm of independent accountants; and

(17) Bonds Payable, continued

- as soon as they are available, but in any event within 90 calendar days after the end of each of the first, second and third fiscal quarters of the Issuer, copies of its unaudited financial statements in respect of the relevant period, that include a profit and loss, statement of financial position and cash flow statement, in English, prepared on a basis consistent with the audited financial statements of the Issuer and in accordance with IFRS.

(18) Other Financial Liabilities

Other financial liabilities are detailed as follows:

	2020	**2019**
Derivative financial instruments designated as hedging instruments recognized at fair value:		
Interest rate swaps	115,313	103,603
	115,313	103,603

The ACP has subscribed interest rate swap contracts which pays interest at a fixed rate and receives at a floating rate.

(19) Trade and Other Payables

Trade and other payables are as follows:

	2020	**2019**
Panamanian Treasury	43,346	44,370
Suppliers and others	167,712	122,117
Total trade and other payables	211,058	166,487

Accounts payable to the Panamanian Treasury correspond to fees per net ton pending for payment. The Organic Law establishes that the ACP shall annually pay the Panamanian Treasury a fee per net ton, or its equivalent, collected from vessels paying tolls for use of the Canal. This fee shall be set by the ACP. During 2020, the fees paid by the ACP to the Panamanian Treasury for this concept amounted to B/.540,644 (2019: B/.532,583).

(20) Provision for Marine Accidents

Provision for marine accidents represents the estimated value of filed or anticipated claims for accidents in Canal waters for which the ACP expects to be liable.

Changes in the provision for marine accident are detailed, as follows:

	2020	**2019**
Balance at beginning of the year	13,882	20,402
Provision for the year	8,174	508
Payments made	(2,469)	(7,028)
Balance at the end of the year	19,587	13,882

The provision for the year is included as an expense in the statement of profit or loss in the line item of *Provision for marine accidents.*

(21) Other Liabilities
Other liabilities are detailed as follows:

	2020	2019
Supplies – Inventories in transit	3,605	5,419
Deferred liability in contracts	35,070	40,791
Others	3,307	12,713
Total other liabilities	41,982	58,923

The ACP concessioned the design, construction, operation and maintenance of a large-format cinema on an adjacent area of the Miraflores Visitor Center. As part of the agreement, the concessionaire transferred the building and other facilities to the ACP which were recognized as Investment Property for an amount of B/.7,705. Also, a deferred liability was recognized for the same amount, which is amortized in straight line during the first ten (10) years of the contract. At September 30, 2020, the fair value of the building and these facilities was estimated for an amount of B/.2,390 resulting in an impairment loss of B/.5,000 that was charged to the related deferred liability in cinema concession (Note 7).

During 2020, an amount of B/.721 (2019: B/.578) of the deferred liability was amortized and recognized in the line item *Other income* in the statement of profit or loss.

(22) Labor, Materials and Other Capitalized Costs
The investment program has been executed partially or totally with the ACP’s own resources and equipment. The ACP capitalizes eligible operating costs incurred to develop the investment programs.

The detail of operating expenses and capitalized costs are as follows:

		2020	
	Total expenses	**Less capitalized costs**	**Net operating expenses**
Salaries and wages	630,081	15,650	614,431
Employee benefits	78,899	1,094	77,805
Materials and supplies	54,367	2,044	52,323
Fuel	42,336	1,987	40,349
Depreciation	223,623	2,547	221,076
All other expenses	699,247	0	699,247
Total	1,728,553	23,322	1,705,231

(22) Labor, Materials and Other Capitalized Costs, continued

	2019		
	Total expenses	Less capitalized costs	Net operating expenses
Salaries and wages	635,504	19,357	616,147
Employee benefits	79,723	459	79,264
Materials and supplies	69,022	5,117	63,905
Fuel	76,513	3,556	72,957
Depreciation	210,874	1,899	208,975
All other expenses	725,687	0	725,687
Total	1,797,323	30,388	1,766,935

(23) Other Miscellaneous Revenues

Other miscellaneous revenues are detailed as follows:

	2020	2019
Sale of entrance tickets to Canal visitor centers	5,900	12,481
Government of Panama:		
Agreement Rio Azuero	5,557	2,151
Agreement Rio Indio	6,216	5,083
Operational leasing	3,886	3,269
Other revenues:		
Port concession	3,315	3,207
Sale of retired assets and scrap	640	1,831
Telecommunications	4,887	4,296
Other	6,517	6,549
Total other miscellaneous revenues	36,918	38,867

(24) Income Taxes

The ACP is not subject to income taxes, as stated in Article 43 of the Organic Law, which exempts it from the payment of all national or municipal taxes, except for public services fees, per net ton transit fee and employer's contribution of social security, educational insurance and workmen's compensation.

(25) Employee Benefits

The constructive and formal liability of the employee benefit programs was as follows:

	2020	2019
Benefit for employment retirement	395,236	381,266

In July 2012, the ACP established the Voluntary Retirement Incentive program (VRI) at the required retirement age for permanent employees and managers of the ACP. Before the establishment of the VRI, there was another program named the Labor Retirement Benefit (LRB) which remains continues to be active. The employee shall select between one program and the other, but in no case will be able to choose both. These programs were established for an indefinite period of time and could be suspended or modified by the Board of Directors.

(25) Employee Benefits, continued

The LRB remains an option because it is included as such in collective bargaining agreement of the ACP, however, the probability that the employees choose the LRB is very low since the benefits provided by VRI are higher.

The requirements and criteria under the LRB are: 1) it applies to permanent employees in positions of trust and those permanent employees covered by collective bargaining agreement from the moment in which they comply with the required retirement age, according to the standards of the Caja de Seguro Social (regular and early retirement), except for temporary employees, officials and permanent employees covered by the Canal pilots' collective agreements, 2) eligible employees must retire from the ACP within the period of time between the age of early retirement (55 years old for women and 60 years old for men), and 60 days after the regular retirement age (57 years old for women and 62 years for men), and 3) workers file the "Termination of Employment Relationship Form" at least 30 calendar days before retirement, but not beyond the date you meet the regular retirement age.

To qualify under the requirements and criteria under the VRI, eligible employees must: 1) retire at the required age (early or regular) established by the Caja del Seguro Social, 2) be not less than 10 years working in the Canal; 3) accept the VRI offer, 4) terminate work no later than 60 calendar days after completing the required age, 5) files the termination of employment form through voluntary resignation, and 6) not having an investigation initiated against them for the alleged commission of serious offenses against the ACP regulations that could result in his dismissal; and 7) have a maximum of two years of labor discontinuity so that if the employees are separated from the ACP for more than two years to hold public or private positions, they will lose their eligibility to receive the VRI.

The ACP contracted independent actuarial services in order to estimate the present value of the total expected cash flow expected to be paid by the ACP in the event that the plan is maintained through the years and to determine the accrued liability at September 30, 2020. This estimate was made using the projected unit credit method and actuarial assumptions were considered, such as: statistics for age average of personnel, frequency of dismissals, retirements, early retirements, mortality, salary increase and plan acceptance rates, among other related factors which allow to reliably estimate, in accordance with IFRS, the present value of the liability of the post-employment benefit plan, for both plans.

The fair value of the liability was calculated as required by the IFRS at different interest rates and at different case scenarios using a discount rate equal to the yield curve for corporate bonds with investment grade issued by companies in the United States of America (AAA, AA, A).

Expenses related to the employee benefits plan are recorded in the bonus account for voluntary separation, mutual agreement or voluntary retirement, within the line item *Salaries and wages* in the statement of profit or loss.

(25) Employee Benefits, continued

The components recognized in the statement of financial position, the statement of profit or loss and statement of comprehensive income for retirement plans are detailed as follows:

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2020	**October 1, 2019**	**Benefit costs**	**Net interest**	**Benefits paid**	**Actuarial adjustments**	**September 30, 2020**
Fair value of the benefits	381,266	21,761	9,737	34,771	17,243	395,236

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2019	**October 1, 2018**	**Benefit costs**	**Net interest**	**Benefits paid**	**Actuarial adjustments**	**September 30, 2019**
Fair value of the benefits	331,591	27,050	8,442	31,572	45,755	381,266

The principal actuarial assumptions used are shown below:

	Age	2020 %	2019 %
Discount rate		2.8	2.9
Salary increase		3.75	3.75
Mortality			
Female	57 years	2.8	2.8
Male	62 years	5.9	5.9
Disability			
Female	57 years	1.2	1.2
Male	62 years	1.9	1.9

Following are the projected disbursements of voluntary retirement benefits expected in future years in case the plans are maintained without modification:

Maturity of the obligation:	**2020**
From 0 to 1 year	36,684
From 1 to 5 years	142,220
From 5 to 10 years	194,285
From 10 to 25 years	354,523
Beyond 25 years	83,152

At September 30, 2020, the average duration of the obligation for the defined benefit plans for voluntary retirement of employees (VRI/LRB) is approximately 7.92 years (2019: 7.72 years).

(25) Employee Benefits, continued

A quantitative sensitivity analysis, based on variation in basis points (bp), for significant assumptions as of September 30, 2020 is as follows:

	Discount rate		Salary	
Assumption	25 bp Increase	25 bp Decrease	25 bp Increase	25 bp Decrease
Sensitivity level				
Impact on defined benefit obligation	(B/.8,052)	B/.8,602	B/.8,175	(B/.7,932)

Reimbursement right to the ACP

The ACP contracted a reimbursement policy, which is recognized in accordance with IAS 19, for defined benefit plans for voluntary retirement of employees. The policy ensures the reimbursement of all payments made by the ACP in respect of defined benefit plans for voluntary retirement of employees during the term of the plan as long as the ACP makes annual installments to the insurance company as a guarantee deposit equal to the probable amount that the ACP would pay during the year for the retirement benefit plans. In addition, the reimbursement policy provides protection in each year of its term against the risk that the ACP suffers any financially incapacitating event to meet payment of obligations to its employees, for any reason, including illiquidity, if occurred during the term of the policy, as long as the ACP is current in the payments of the premium and the defined benefit plans for voluntary retirement are in effect.

The policy does not cover the risk of default of the ACP that could arise from internal fraud, catastrophic physical risks, nuclear war, terrorism, and epidemics, which has been estimated at 3.0% of the total insured amount.

Changes in the reimbursement right to the ACP during 2020 are detailed as follows:

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2020	October 1, 2019	Reimbursement right cost of the year	Net interest	Reimbursements during the year	Actuarial adjustments	September 30, 2020
Reimbursement right of ACP	368,684	23,345	9,445	34,821	16,726	383,379

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2019	October 1, 2018	Reimbursement right cost of the year	Net interest	Reimbursements during the year	Actuarial adjustments	September 30, 2019
Reimbursement right of ACP	320,649	24,353	8,163	28,726	44,245	368,684

During 2020, the ACP paid the insurer B/.34,806 (2019: B/.29,970) in premiums to the reimbursement insurance policy.

(26) Risk Management

The ACP maintains a conservative and prudent financial policy oriented to preserve its capital and generate optimal performance with low risk levels, performing various risk management activities throughout the year, including analysis, evaluation and risks mitigation. This allows Management to plan and make decisions that enhance the economic contribution and operational excellence, improving the chances of achieving the strategic goals.

The ACP's capital structure consists of net debt (borrowings and bonds as detailed in Notes 16 and 17), compensated by cash and bank deposit balances, other financial assets (Note 9), in addition to its equity (consisting of contributed capital, investment programs contributions and reserves, other equity accounts, and earnings available for distribution, as disclosed in Notes 12, 13, 14 and 15, respectively).

Categories of financial instruments

	2020	2019
Financial assets		
Receivable to contractor (Note 6)	244,655	0
Trade and other receivables (Note 5)	37,516	41,363
Operations with settlement in progress	0	2,603
Other financial assets (Note 9)	3,801,690	4,314,392
Cash and cash equivalents (Note 11)	965,541	57,832
	5,049,402	4,416,190
Financial liabilities		
Borrowings (Note 16)	1,968,507	2,215,530
Bonds payable (Note 17)	445,764	445,199
Lease liabilities (Note 27)	11,101	0
Financial instruments designated as hedging instruments (Note 18)	115,313	103,603
Trade and other payables (Note 19)	211,058	166,487
	2,751,743	2,930,819

(26) Risk Management, continued

Accounting classification and fair values

The following tables shows the carrying value and the fair value of financial assets and liabilities, including their fair value hierarchy levels, except short-term accounts receivable and payable for which the carrying amount is roughly similar to fair value:

2020	Fair value - hedging instruments	FVOCI - Debt securities	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Financial assets measured at fair value:					
Other financial assets:					
Corporate debt securities	0	1,011,459	0	0	1,011,459
Instruments designated in cash flow hedging relationship:					
Diesel purchase call option contracts	367	0	0	0	367
	367	1,011,459	0	0	1,011,826
Financial assets not measured at fair value:					
Other financial assets:					
Time deposits – more than 90 days	0	0	2,775,669	0	2,775,669
Accrued interest receivable	0	0	14,195	0	14,195
			2,789,864		2,789,864
Receivable from contractor	0	0	244,655	0	244,655
Trade and other receivables	0	0	37,516	0	37,516
Cash and cash equivalents	0	0	965,541	0	965,541
	0	0	4,037,576	0	4,037,576
Financial liabilities measured at fair value:					
Other financial liabilities:					
Instruments designated in cash flow hedging relationship:					
Interest rate swaps	115,313	0	0	0	115,313
	115,313	0	0	0	115,313
Financial liabilities not measured at fair value:					
Bonds payable	0	0	0	445,764	445,764
Borrowings	0	0	0	1,968,507	1,968,507
Lease liabilities	0	0	0	11,101	11,101
Trade and other payables	0	0	0	211,058	211,058
	0	0	0	2,636,430	2,636,430

(26) Risk Management, continued

2019	Fair value - hedging instruments	FVOCI - Debt securities	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Financial assets measured at fair value:					
Other financial assets:					
Corporate debt securities	0	2,770,136	0	0	2,770,136
Instruments designated in cash flow hedging relationship:					
Diesel purchase call option contracts	1,020	0	0	0	1,020
	1,020	2,770,136	0	0	2,771,156
Financial assets not measured at fair value:					
Other financial assets					
Time deposits – more than 90 days	0	0	1,515,512	0	1,515,512
Accrued interest receivable	0	0	27,724	0	27,724
			1,543,236		1,543,236
Trade and other receivables	0	0	41,363	0	41,363
Operations with settlement in progress	0	0	2,603	0	2,603
Cash and cash equivalents	0	0	57,832	0	57,832
	0	0	1,645,034	0	1,645,034
Financial liabilities measured at fair value:					
Other financial liabilities:					
Instruments designated in cash flow hedging relationship:					
Interest rate swaps	103,603	0	0	0	103,603
	103,603	0	0	0	103,603
Financial liabilities not measured at fair value:					
Bonds payable	0	0	0	445,199	445,199
Borrowings	0	0	0	2,215,530	2,215,530
Trade and other payables	0	0	0	166,487	166,487
	0	0	0	2,827,216	2,827,216

(26) Risk Management, continued

The table below details the fair value of each type of financial assets and liabilities in order to compare them with their corresponding carrying amount. In addition, it reconciles assets and liabilities with the different classification categories of financial instrument.

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Other financial assets:				
Corporate debt securities	350,282	661,177	0	1,011,459
Instruments designated in cash flow hedging relationship:				
Diesel purchase call option contracts	0	367	0	367
	350,282	661,544	0	1,011,826
Financial assets not measured at fair value:				
Other financial assets				
Time deposits – more than 90 days	0	2,786,655	0	2,786,655
Accrued interest receivable	0	14,178	0	14,178
	0	2,800,833		2,800,833
Receivable to contractor	0	0	244,655	244,655
Trade and other receivables	0	0	37,516	37,516
Cash and cash equivalents	0	0	965,541	965,541
	0	2,800,833	1,247,712	4,048,545
Financial liabilities measured at fair value:				
Other financial liabilities:				
Instruments designated in cash flow hedging relationship:				
Interest rate swaps	0	115,313	0	115,313
	0	115,313	0	115,313
Financial liabilities not measured at fair value:				
Bonds payable	0	0	561,969	561,969
Borrowings	0	0	2,015,271	2,015,271
Leases	0	0	11,101	11,101
Trade and other payables	0	0	211,058	211,058
	0	0	2,799,399	2,799,399

(26) Risk Management, continued

2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Other financial assets				
Corporate debt securities	1,987,948	782,188	0	2,770,136
Instruments designated in cash flow hedging relationship:				
Diesel purchase call option contracts	0	1,020	0	1,020
	1,987,948	783,208	0	2,771,156
Financial assets not measured at fair value				
Other financial assets:				
Time deposits – more than 90 days	0	1,543,236	0	1,543,236
Trade and other receivables	0	0	41,363	41,363
Operations with settlement in progress	0	0	2,603	2,603
Cash and cash equivalents	0	0	57,832	57,832
	0	1,543,236	101,798	1,645,034
Financial liabilities measured at fair value:				
Other financial liabilities:				
Instruments designated in cash flow hedging relationship:				
Interest rate swaps	0	103,603	0	103,603
	0	103,603	0	103,603
Financial liabilities not measured at fair value:				
Bonds payable	0	0	518,841	518,841
Borrowings	0	0	2,224,602	2,224,602
Trade and other payables	0	0	166,487	166,487
	0	0	2,909,930	2,909,930

Hedging instruments such as interest rate swaps contracts are registered at their clean price, and the interest are recognized under the line item of *Accrued interest payable* in the statement of financial position.

(26) Risk Management, continued

Fair value measurement

i. Valuation techniques and unobservable significant inputs

The following table shows the valuation techniques used to measure the Level 2 and Level 3 fair value for financials instruments recognized at fair value on the statement of financial position, as well as unobservable significant inputs. The valuation process is described on Note 3.

Type	Valuation technique	Unobservable significant inputs	Interrelation between unobservable significant inputs and fair value measurement
Interest rate swap contracts	*Swap model:* fair value is calculated as the present value of the estimated cash flows. The future cash flows estimates of variable rates curves are based on quoted swap rates, future prices and interbank rates. Future cash flows are discounted using a yield curve constructed of similar sources that reflect the interbank rates used by market participants for this purpose when valuing interest rate swap contracts. The fair value is subject to an adjustment due to the credit risk of both the ACP and the counterparty, calculated using credit margins derived from credit default swaps or bond prices.	None	None
Diesel price swap contracts	*Swap model:* fair value is calculated as the present value of the estimated cash flows. The future cash flows estimates of variable diesel prices are based on swap rates, future prices and interbank rates. Future cash flow are discounted with a yield curve constructed of similar sources that reflect the relevant interbank rates used by market participants for this purpose when determining the fair value of diesel swap contracts. The fair value is subject to an adjustment due to the credit risk of both the ACP and the counterparty, calculated using credit margins derived from credit default swaps or bond prices.	None	None

(26) Risk Management, continued

Type	Valuation technique	Unobservable significant inputs	Interrelation between unobservable significant inputs and fair value measurement
Diesel purchase option contract	*Option Model:* the fair value is calculated using the Black Scholes Model, which determines the reasonable price or theoretical price of an option based on six variables: volatility, type of option, underlying price, time, strike price and risk free rate.	None	None
Corporate debt securities	*Market comparison*. Fair value is estimated considering recent or current quotes prices for identical instruments on an inactive market; or prices obtained through alternative pricing models supported by observable inputs such as yield curves of instruments with similar credit quality. The continued use of this valuation technique under COVID-19 crisis conditions is based on the criteria that the significant decrease in market activity and volatility due to such crisis are not enough reason on their own for disregarding traded prices from transactions between unrelated parties, as reliable indicators of the market value of the instruments, except where there is evidence in the public domain that in an orderly transaction was not carried out; in such specific cases the traded price could not reflect the real market value of the security (i.e. a forced transaction during a bankruptcy process).	None	None

Financial risk management objectives

The ACP’s main financial liability consists of borrowings, bonds payable, leases liabilities, and trade accounts payable. The main purpose of these financial liabilities was to finance the Canal Expansion Program and the new bridge in the Atlantic coast of the Canal. The ACP also has cash, bank deposits, trade and other receivables, and funds invested in short term debt instruments. The ACP also contracts hedging instruments.

The ACP is exposed to market, liquidity and credit risks.

The ACP’s administration monitors and manages these risks. The ACP’s Treasury coordinates the access to international financial markets, monitors and manages the financial risks related to the ACP's operations through internal risk reports, in which it analyzes the exposures depending on their degree and magnitude. These risks include market risk (exchange risk and price risk), credit risk, liquidity risk, and interest rate risk. Teams of specialists with the appropriate knowledge, experience and supervision perform all the activities related to risk hedging.

(26) Risk Management, continued

The ACP maintains policies that provide written principles about foreign exchange risk management, interest rate risk, credit risk, the use of hedge financial instruments and liquidity investment. The Office of the Inspector General periodically monitors the compliance with the policies and exposure limits. The ACP does not subscribe or negotiate financial instruments for speculative purposes.

The ACP’s treasury quarterly updates the Board of Directors Finance Committee and follows up the risks and the implemented policies to mitigate risk exposure. The Office of the Inspector General periodically audits treasury operations, and reports to the Board of Directors.

The Board of Directors reviews and approves the policies for managing each of the following risks:

Market risk

The ACP’s activities are exposed primarily to financial risks due to variations of interest rates, and commodity prices out of its control. All the ACP´s financial instruments are at fixed rate, with the exception of B/.1,870,000 (2019: B/.2,090,000) in borrowings which are at variable rate (Note 16). With the purpose of managing these risks exposures, the ACP subscribes a variety of hedge financial instruments approved by its Board of Directors based on the recommendations of the Liquidity and Hedging Committee, including:

- Interest rate swaps to mitigate the risk of increases in interest rates.
- Diesel price options/swaps to mitigate the risk of fluctuations in the price of this commodity, which is required for the Canal’s regular operations.

Exchange rate risk management

The ACP has established a policy to avoid foreign currency risk related to its functional currency. The ACP only accepts payments in dollars of the United States of America and the investment criteria and applicable guidelines require that all deposits and investments in banks shall be in the dollars of the United States of America, or in other currencies authorized by the Board of Directors. The ACP does not maintain commitments in other currencies. It only maintains deposits in the currency of the United States of America.

Cash flow and fair value interest rate risk

The interest rate risk of the cash flow and the interest rate risk of fair value consist in the fact that future cash flows and the value of a financial instrument fluctuate due to changes in market rates. The net financial cost of the ACP can fluctuate as a result to unanticipated movements on interest rates.

(26) Risk Management, continued

The following table resumes the ACP's exposure based on the interest repricing gaps on its financial assets and liabilities:

2020	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
Financial assets:						
Bank savings and term deposits	2,296,405	715,100	743,900	0	0	3,755,405
Debt securities – FVOCI	560,214	213,956	237,289	0	0	1,011,459
	2,856,619	929,056	981,189	0	0	4,766,864
Financial liabilities:						
Borrowings	1,870,000	0	0	0	85,000	1,955,000
Bonds payable	0	0	0	0	450,000	450,000
Lease liabilities	244	0	338	10,501	0	11,083
	1,870,244	0	338	10,501	535,000	2,416,083
Interest rate swap hedges	(640,000)	0	40,000	320,000	280,000	0
Total interest rate sensitivities	1,626,375	929,056	940,851	(330,501)	(815,000)	2,350,781

2019	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
Financial assets:						
Bank savings and term deposits	0	30,000	1,500,001	43,744	0	1,573,745
Debt securities – FVOCI	245,108	637,792	1,887,235	0	0	2,770,136
	245,108	667,792	3,387,236	43,744	0	4,343,881
Financial liabilities:						
Borrowings	2,090,000	0	0	0	95,000	2,185,000
Bonds payable	0	0	0	0	450,000	450,000
	2,090,000	0	0	0	545,000	2,635,000
Interest rate swap hedges	(720,000)	0	40,000	320,000	360,000	0
Total interest rate sensitivities	(1,124,892)	667,792	3,347,236	(276,256)	(905,000)	1,708,881

The ACP manages its interest rate risk change exposure partially by contracting fixed rate instruments and variable rate financing and uses interest rates swaps contracts to hedge cash flows variability attributable to interest rate risk.

The ACP does not account for any of its financial instruments, whether assets or liabilities, at fair value through profit or loss. Nor does it designate derivative instruments as fair value hedges. Therefore, a change in interest rate on the reporting date would not affect net income.

The ACP performs simulations on its financial assets and liabilities in order to evaluate interest rate risk and its impact in the fair value of financial instruments. To manage interest rate risk, the ACP has defined an interval on the limits to monitor the sensitivity on its financial assets and liabilities. The interest rate change impact estimation by category assumes a 100 basis points (bp) increase or reduction on the financial assets and liabilities.

(26) Risk Management, continued

The following table reflects the impact of applying those interest rate variations:

	Net interest income sensitivity			
	100 bp increase		100 bp decrease	
	2020	2019	2020	2019
Bank Savings and term deposits	26,652	12,113	(26,652)	(12,113)
Debt securities – FVOCI	6,922	16,467	(6,922)	(16,467)
Debt with multilateral credit agencies	(15,174)	(17,178)	15,174	17,178
Interest rate swap hedges	5,502	6,245	(5,502)	(6,245)
At the end of the year	23,902	17,647	(23,902)	(17,647)

	Other comprehensive income sensitivity			
	100 bp increase		100 bp decrease	
	2020	2019	2020	2019
Debt securities – FVOCI	(3,257)	(11,256)	3,257	11,256
Interest rate swap hedges	33,018	39,233	(33,020)	(39,237)
At the end of the year	29,761	27,977	(29,763)	(27,981)

Interest rate risk management

The ACP is exposed to interest rate risk because it borrowed funds at fixed and variable rate and issued bonds at fixed rates. This risk is managed with the use of interest rate swap contracts. Given market conditions, hedging activities are evaluated regularly in order to consider interest rates volatility and risk tolerance, ensuring that the most conservative hedging strategies are applied.

Interest rate swap contracts

Starting in March 2010, the ACP established interest rate swap contracts without collateral to fix the interest rate on B/.800,000 variable rate loans. The notional amount and principal amortizations on the swap instruments coincide with the dates, disbursements and amortizations of the underlying loans: B/.200,000 received on March 1, 2010, B/.300,000 on October 29, 2010, and B/.300,000 on April 13, 2011. Semi-annual amortizations for B/.40,000 each, which began on May 15, 2019 until their maturity on November 15, 2028.

In March 2018, the ACP contracted interest rate swap contracts without any collateral granted, to protect the fiscal year 2019 budget in two B/.700,000 tranches, for a total of B/.1,400,000, effective as of November 15, 2018 up to November 15, 2019. These interest rate swap contracts totaling B/.1,400,000 consider the semi-annual principal amortizations for B/.70,000 each starting on May 15, 2019 up to the swap maturity on November 15, 2019.

According to interest rate swap contracts, the ACP agreed to swap the difference between the fixed and floating interest rates amounts calculated on the agreed notional principal amounts. Such contracts allow the ACP to mitigate the risk of interest rate changes that impact the cash flows of part of the hedged floating rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows using the yield curves at the end of the reporting period in question and the inherent credit risk in the contract, as it is explained further below.

(26) Risk Management, continued

The following table details the notional principal amounts and the remaining terms of the outstanding interest rate swap contracts at the end of the reporting period:

Notional	Effective date	Maturity date
680,000	May 17, 2010	November 15, 2028

Interest rate swap contracts, variable receipts and fixed payments	Average contracted fixed interest rate		Notional principal value		Fair value	
	2020	2019	2020	2019	2020	2019
Less than 1 year	0%	2.71%	0	665,000	0	(102)
Less than 1 year	0%	2.75%	0	665,000	0	(139)
5 years or more	4.67%	4.67%	680,000	760,000	(115,313)	(103,362)

Interest rate swaps are liquidated semi-annually. The floating rate on the interest rate swaps is the 6-month LIBOR rate. The ACP will pay or receive the difference between the floating and the fixed interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the ACP's cash flow exposure resulting from floating interest rates on borrowings. The interest rate swap contracts subscribed with the ACP's counterparties stipulate that the ACP would not cover with collateral guarantees any unrealized loss generated by the periodic valuations of these financial instruments.

Asset and liability derivative instruments designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur, as well as the carrying value of the hedge instruments:

	2020					2019				
		Expected cash flow					Expected cash flow			
	Carrying amount	Total	1-6 months	6-12 months	More than 1 year	Carrying amount	Total	1-6 months	6-12 months	More than 1 year
Interest rate swaps:										
Assets	0	0	0	0	0	0	0	0	0	0
Liabilities	(115,313)	(127,901)	(13,952)	(14,131)	(99,818)	(103,603)	(115,949)	(9,054)	(9,783)	(97,112)
Diesel purchase call option contract:										
Assets	367	0	0	0	0	1,020	0	0	0	0
Total	(114,946)	(127,901)	(13,952)	(14,131)	(99,818)	(102,583)	(115,949)	(9,054)	(9,783)	(97,112)

(26) Risk Management, continued

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to impact gain or loss, as well as the carrying value of hedge instruments:

	2020					2019				
			Expected cash flow					Expected cash flow		
	Carrying amount	Total	1-6 months	6-12 months	More than 1 year	Carrying amount	Total	1-6 months	6-12 months	More than 1 year
Interest rate swaps:										
Assets	0	0	0	0	0	0	0	0	0	0
Liabilities	(115,313)	(127,901)	(13,952)	(14,131)	(99,818)	(103,603)	(115,949)	(9,054)	(9,783)	(97,112)
Diesel purchase call option contract:										
Assets	367	0	0	0	0	1,020	0	0	0	0
Total	(114,946)	(127,901)	(13,952)	(14,131)	(99,818)	(102,583)	(115,949)	(9,054)	(9,783)	(97,112)

Liquidity risk management

The ACP manages the liquidity risk through continuous by monitoring its forecasted and actual cash flows, reconciling the financial asset and liability maturity profiles.

The following table details the ACP's financial assets and liabilities grouped by their remaining maturities with respect to their contractual maturity dates:

	2020						
	Carrying amount	Total gross nominal amount inputs/(outputs)	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years
Financial assets:							
Cash and cash equivalents	965,541	965,720	965,720	0	0	0	0
Time deposits – more than 90 days	2,789,864	2,805,180	1,331,008	724,862	749,310	0	0
Debt securities – FVOCI	1,011,459	1,019,315	565,952	215,584	237,779	0	0
Trade and other receivables	37,516	38,362	20,099	539	134	17,590	0
Receivable to contractor	244,655	244,700	0	0	0	244,700	0
	5,049,035	5,073,277	2,882,779	940,985	987,223	262,290	0
Financial liabilities:							
Borrowings	1,968,507	2,097,644	118,489	0	128,158	1,011,359	839,638
Bonds payable	445,764	756,381	0	100	11,137	89,100	656,044
Lease liabilities	11,101	10,890	1,239	1,115	2,154	6,382	0
Trade and other payables	211,058	211,058	211,046	0	12	0	0
	2,636,430	3,075,973	330,774	1,215	141,461	1,106,841	1,495,682
Hedging instruments:							
Diesel call option, fixed payment and variable receipt, net	367	0	0	0	0	0	0
Interest rate swap, fixed payment and variable receipt, net	(115,313)	(127,901)	(13,952)	0	(14,131)	(78,932)	(20,886)
	(114,946)	(127,901)	(13,952)	0	(14,131)	(78,932)	(20,886)

(26) Risk Management, continued

	2019						
	Carrying amount	**Total gross nominal amount inputs/(outputs)**	**Up to 3 months**	**3 - 6 months**	**6 months - 1 year**	**1 – 5 years**	**More than 5 years**
Financial assets:							
Cash and cash equivalents	57,832	57,832	57,832	0	0	0	0
Time deposits – more than 90 days	1,543,236	1,555,307	895,832	628,602	30,883	0	0
Debt securities - FVOCI	2,770,136	2,823,797	725,749	1,084,000	1,014,049	0	0
Trade and other receivables	41,360	41,360	41,360	0	0	0	0
	4,412,564	4,478,296	1,720,762	1,712,602	1,044,932	0	0
Financial liabilities:							
Borrowings	2,215,530	2,461,281	125,122	0	146,857	1,082,802	1,106,500
Bonds payable	445,199	778,656	0	11,138	11,138	78,063	678,319
Trade and other payables	166,487	166,606	166,606	0	0	0	0
	2,827,216	3,406,543	291,727	11,138	157,995	1,160,865	1,784,819
Hedging instruments:							
Diesel call option, fixed payment and variable receipt, net	1,020	0	0	0	0	0	0
Interest rate swap, fixed payment and variable receipt, net	(103,603)	(115,949)	(9,054)	0	(9,783)	(69,468)	(27,644)
	(102,583)	(115,949)	(9,054)	0	(9,783)	(69,468)	(27,644)

In order to finance the Canal Expansion Program for a total of B/.2,300,000, the ACP entered a Common Terms Agreement with five multilaterals credit agencies. Currently 4.3% of the debt (B/.85,000) has a fixed effective rate of 5.31%, while the remaining 95.7% (B/.1,870,000) has a variable average effective rate of 2.02%. The effective rate for the financing is 2.16% which is calculated as a weighted average of both its fixed and variable portions.

For the financing of the new bridge across the Atlantic Side of the Canal, bonds totaling B/.450,000 were issued at a fixed rate of 4.95% (effective rate of 5.14%) payable semi-annually in January and July of each year. The interest rate swap contracts subscribed with the ACP's counterparties stipulate that the ACP will not cover with collateral guarantees any unrealized loss generated by the periodic valuations of these financial instruments.

The following table groups the financing sources according to their respective terms:

	Weighted average effective interest rate (%)	**1 month or less**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
2020							
Variable interest rate loans	2.02%	0	110,000	110,000	880,000	770,000	1,870,000
Fixed interest rate loans	5.31%	0	5,000	5,000	40,000	35,000	85,000
Fixed interest rate bonds	5.14%	0	0	0	0	450,000	450,000
		0	115,000	115,000	920,000	1,255,000	2,405,000

	Weighted average effective interest rate (%)	**1 month or less**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
2019							
Variable interest rate loans	2.44%	0	110,000	110,000	880,000	990,000	2,090,000
Fixed interest rate loans	5.31%	0	5,000	5,000	40,000	45,000	95,000
Fixed interest rate bonds	5.14%	0	0	0	0	450,000	450,000
		0	115,000	115,000	920,000	1,485,000	2,635,000

(26) Risk Management, continued

Fuel price risk

The ACP is exposed to commodity price fluctuation risk on the fuel used in its transit and dredging operations, as well as in its power generation activities and the sale of surplus energy to Panama's National Grid ("Sistema Integrado Nacional"), to the extent that such variations cannot be transferred to the ACP's customers.

Maritime operations

The ACP consumes approximately between 10 and 14 million gallons of light diesel on its vessel transit and dredging operations. Since October 20, 2009, risk management for diesel price fluctuations is performed mainly within the fiscal year period that is considered representative for the implementation of appropriate commercial policies. In order to manage the risk, specific hedging operations are contracted for approximately 80% of the expected volume.

In August 2020, the ACP purchased a diesel cap option contract to hedge its fiscal year 2021 operational diesel budget for 12.5 million gallons with a monthly notional of 800,000 gallons, with a strike price of B/.1.45 per gallon. During 2020, the registered accumulated annual fuel consumption amounted to 13.4 million gallons (2019: 13.6 million gallons).

Energy generation

The ACP generates power for the consumption of the Canal's operations, while excess capacity is sold in the domestic electricity market. During 2020, the ACP consumed 31% of the power generated, while the remaining 69% was sold to the electric market (2019: 24% and 76%, respectively). Power generated by hydroelectric and thermal plants was 28% and 72% (2019: 22% and 78%).

Thermal plant generation is exposed to fuel price volatility risk; however, this price is indexed to the energy sale rate. These indexations are defined in contractual clauses when the energy is sold under previously agreed contracts or in weekly statements when energy is not sold under contracts, namely, in the spot market.

Maritime operations fuel price risk sensitivity analysis

At September 30, 2020, the current price index for light diesel purchases made by the ACP was B/.1.09 (2019: B/.2.08) per gallon. During 2020, the light diesel operational expense experienced a decrease of B/.8,024 (-28%) as compared to the 12 months figure for fiscal year 2019. Under the assumption of an increase/decrease of ±B/.0.37 per gallon in the spot price given by the standard deviation of the monthly average of the registered diesel prices per gallon for the last 12 months of fiscal year 2020, the price per gallon to be paid by ACP would raise up to B/.1.97 or drop to B/.1.24 accordingly. As a result, the increase/decrease of the light diesel operational expense would be B/.1,144 and (B/.1,144), respectively.

(26) Risk Management, continued

Credit risk management

It refers to the risk that the borrower or issuer of a financial asset may not comply, completely and on time, with any payment to be made in accordance with the terms and conditions agreed upon when the obligation was acquired. To mitigate the credit risk, the liquidity investment policy set limits by industry and by issuer as a result of the categorization of the Risk Assessment System adopted by the ACP, which includes the following factors: short-term international credit risk rating, capital/leverage coverage, country risk, liquidity index, impairment, performance and credit risk. In the case of sovereign issuers, the country risk factor is the only one considered.

Counterparty risk refers to the risk of a counterparty defaulting in the payment of a security purchase transaction. The ACP does not have counterparty risk, as it buys all of its securities using the method of payment on delivery (“delivery versus payment”) through payment systems, using a custodian account.

Credit risk refers to the risk that one of the parties does not comply with its contractual obligations, resulting in financial loss to the ACP. To address this risk, ACP’s policies only allow depositing funds in banking institutions and financial instruments that have more than one short-term international investment grade rating, which cannot be inferior to A-2 by Standard & Poor’s, P-2 by Moody’s Ratings, or F-2 by Fitch Ratings, Inc. Additionally, these policies allow for a total investment of up to fifteen percent (15%) of the portfolio in financial instruments that have more than one short-term international investment grade rating, which cannot be inferior to A-3 by Standard & Poors, P-3 by Moody’s Bank Deposit Ratings, or F-3 by Fitch Ratings, Inc.

Credit quality analysis

The tables below show the credit quality analysis of the different type of financial assets the ACP maintains, which were classified based on their international risk rating reported by the risk rating agencies. The ACP´s financial assets that are within the scope of the IFRS 9 expected credit losses (ECL) model, are being continuously evaluated to incorporate the COVID-19 impact in the measurement of their ECL. The fundamental impact is on the ECL measurement over a 12-month horizon ('Stage 1') or during the financial asset life ('Stages 2 or 3', as appropriate). In cases where a significant increase in credit risk (default risk) was identified for financial assets classified in 'Stage 1', derived from the effects of COVID-19, such instruments were transferred to 'Stages 2 or 3 ', as appropriate, and the ECL was measured over the lifetime.

In addition, the tables show whether assets measured at amortized cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

Receivable from contractor

As result of the arbitration awards in favor of ACP for the net amount of B/.244,700 (Note 6), the ACP considers that receivable to contractor has a low risk based on the external credit ratings of its counterparties.

(26) Risk Management, continued

At September 30, 2020, the ECL for the receivable from contractor is as follow:

	2020 12-month ECL	2019 12-month ECL
Balance at the beginning of the year	0	0
New financial assets acquired	45	0
Balance at the end of the year	45	0

Trade and other receivables

The evaluation of the account receivables ECL utilized a similar approach to the one used on the debt instruments.

The ACP considers that its accounts receivable portfolio has a low credit risk based on the external credit ratings of its counterparties; however, due to the emerging of the Coronavirus COVID-19 in China at the end of 2019, and its global expansion to a large number of countries, the World Health Organization classified the viral outbreak as a pandemic on March 11, 2020.

Based on the best evidence available to date, the ACP has carried out the impact analysis and estimates that these balances will be collected within a period of no more than three years, and the impact is not considered of relative importance.

At September 30, 2020, the ECL for the trade and other receivables is as follow:

	2020			
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Balance at the beginning of the year	2	0	0	2
Net remeasurement of the loss allowance	3	57	0	60
Financial assets derecognized	(1)	0	0	(1)
New financial assets acquired	9	776	0	785
Balance at the end of the year	13	833	0	846

	2019			
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Balance at the beginning of the year	37	0	0	37
Financial assets derecognized	(37)	0	0	(37)
New financial assets acquired	2	0	0	2
Balance at the end of the year	2	0	0	2

Operations with settlement in progress

The ACP considers that operations with settlement in progress have a low credit risk based on the external credit ratings of its counterparties. The evaluation of expected credit loss utilized a similar approach to the one used on debt instruments.

(26) Risk Management, continued

Changes in the ECL allowance for the operations with settlement in progress:

	2020 12 month ECL	2019 12 month ECL
Balance at the beginning of the year	3	0
Financial assets derecognized	(3)	0
New financial assets acquired	0	3
Balance at the end of the year	0	3

Bank deposits

At September 30, 2020, all demand and time deposits accounts were placed in investment grade financial institutions.

	2020			2019		
	Amortized cost			Amortized cost		
	Cash and cash equivalents 12-month ECL	Time deposits – more than 90 days 12-month ECL	Total	Cash and cash equivalents 12-month ECL	Time deposits – more than 90 days 12-month ECL	Total
Aaa a Aa3	403,531	169,555	573,086	29,868	204,845	234,713
A1 a A3	68,933	1,348,999	1,417,932	26,793	550,875	577,668
Baa1	492,616	101,570	594,186	0	0	0
Baa2	499	1,174,961	1,175,460	1,186	788,003	789,189
Gross carrying amount	965,579	2,795,085	3,760,664	57,847	1,543,723	1,601,570
ECL loss allowance	(38)	(5,221)	(5,259)	(15)	(487)	(502)
Carrying amount	965,541	2,789,864	3,755,405	57,832	1,543,236	1,601,068

The line item of *Cash and cash equivalent*s in the statement of financial position includes all demand deposits accounts, savings accounts, overnight deposits and time deposits with original maturities of less than 90 days.

Changes in the ECL allowance for bank deposits:

	2020 12-month ECL	2019 12-month ECL
Balance at the beginning of the year	502	493
Net remeasurement of the loss provision	8	0
Financial assets derecognized	(502)	(493)
New financial assets acquired	5,251	502
Balance at the end of the year	5,259	502

Investment securities measured at FVOCI

The ACP's investment portfolio consists of debt instruments classified at fair value with changes in other comprehensive income, acquired with the intention to be held for a period less or equal to one year, which are susceptible to being sold in order to attend the liquidity needs or changes in interest rates, which may impact significantly the debt service. Such instruments are measured and reported at fair value, although they do not impact the statement of profit or loss.

(26) Risk Management, continued

In particular, at the closing of September 30, 2020, the financial statements do not reflect representative impacts related to the impairment of the investment portfolio, since the increases that were perceived in market interest rates are mainly due to a decrease in liquidity, associated with the capital outflow of international investors from emerging markets, given the COVID-19 situation, but not due to a decrease in the counterparties ratings due to the inability to honor their obligations in the short term.

Notwithstanding the foregoing, with respect to not observing significant impacts associated with the credit risk of the investment portfolio at September 30, 2020, the ACP is aware of the volatility and the high uncertainty generated by the current situation, for which permanently monitors the measures adopted by governments and the implications that these may have on the behavior of the different sectors, among others, the interruption in supply chains, extensive suspension of productive activity, increased unemployment, recession of income for some sectors, price behavior (inflation), economic slowdown, etc.

	2020				2019			
	FVOCI				FVOCI			
	12-month ECL	Lifetime ECL- without credit impairment	Lifetime ECL - with credit impairment	Total	12-month ECL	Lifetime ECL- without credit impairment	Lifetime ECL - with credit impairment	Total
Aaa a Aa3	18,311	0	0	18,311	6,005	0	0	6,005
A1 a A3	286,940	0	0	286,940	391,218	0	0	391,218
Baa1	340,195	0	0	340,195	533,938	0	0	533,938
Baa2	233,752	0	0	233,752	1,249,437	0	0	1,249,437
Baa3	130,765	0	0	130,765	587,052	0	0	587,052
Gross carrying amounts	1,009,963	0	0	1,009,963	2,767,650	0	0	2,767,650
ECL loss allowance	(3,324)	0	0	(3,324)	(583)	0	0	(583)
Amortized cost	1,006,639	0	0	1,006,639	2,767,067	0	0	2,767,067
Carrying amount	1,011,459	0	0	1,011,459	2,770,136	0	0	2,770,136

The ECL allowance for the investment securities measured at fair value with changes in other comprehensive income is presented below:

	2020 12-month ECL	2019 12-month ECL
Balance at the beginning of the year	583	754
Financial assets derecognized	(583)	(754)
New financial assets acquired	3,324	583
Balance at the end of the year	3,324	583

(26) Risk Management, continued

Measurement of the gain or impairment loss

The ACP recognizes the gains or impairment losses of the financial instruments measured at fair value with changes in other comprehensive income based on the difference between the carrying value carried at amortized cost and the fair value of the instruments, as stated below:

	2020		
	Fair value	**Amortized cost**	**Unrealized gain or (loss)**
Aaa to Aa3	18,311	18,311	0
A1 to A3	287,619	286,940	679
Baa1	340,588	340,195	393
Baa2	234,105	233,752	353
Baa3	130,836	130,765	71
	1,011,459	1,009,963	1,496

	2019		
	Fair value	**Amortized cost**	**Unrealized gain or (loss)**
Aaa to Aa3	6,017	6,005	12
A1 to A3	391,751	391,218	533
Baa1	527,112	526,603	509
Baa2	1,566,611	1,565,665	946
Baa3	278,644	278,160	484
	2,770,136	2,767,650	2,484

Credit risk concentration

The ACP monitors credit risk concentration by industry sector according to the “Bloomberg Industry Classification Standard”.

	2020	**2019**
Basic materials	119,770	136,055
Communications	6,435	206,094
Consumer, cyclical	109,957	299,836
Consumer, non-cyclical	156,865	690,162
Energy	3,070	295,353
Financials	465,143	667,349
Industry	53,966	158,525
Technology	0	69,358
Services	96,253	247,403
Total	1,011,459	2,770,136

According to the Board of Directors’ Agreement No. 365, the ACP may invest:

- Not less than 20% of its funds in private and official banks with international credit rating of A-2, P-2 and F-2. On a case by case basis, the Investment and Hedge Committee may approve investments in private and official banks where one of its international credit rating is A-3, P3 or F3.

(26) Risk Management, continued

- Not more than 80% of its funds in corporate debt instruments with international credit rating of A-2, P-2 and F-2, and up to 15% in instruments with international credit ratings of A-3, P-3 or F-3.

The ACP's credit exposure and counterparties credit rating are continuously monitored. The credit exposure is controlled by counterparty limits that are quarterly reviewed through the Risk Assessment System for Banking Institutions and Corporate Issuers.

The maximum limits for credit exposure in financial instruments by bank institution or issuer are assigned considering the assessment of the following weighted factors:

1. International credit risk rating
2. Capital/leverage coverage
3. Country risk
4. Liquidity index
5. Impairment
6. Performance
7. Credit risk

Banking institutions and issuers are classified within three categories in the ACP's risk system:

A. Up to B/.200,000
B. Up to B/.120,000
C. Up to B/.60,000

(27) Leases

The ACP maintains leases essentially for buses to provide transportation service to employees; and technology equipment; i.e. servers and switches. Generally, the lease contract periods are for one basic year and up to a maximum of four renewals. At the end of such renovations, a new tender is conducted, and new assets are required. The ACP also maintains leases of other equipment such as vehicles, forklifts, dump trucks and latrines, for periods of twelve months or less; and office and technology equipment for low value assets. The ACP applies the exemptions for low-value assets and short-term lease for these leases.

The ACP as lessee

Information about the leases for which the ACP is the lessee is presented below:

Right-of-use assets

The carrying amounts of the recognized right of use assets of lease contracts and their movements during the period are detailed below:

	2020
Equipment:	
Balance at the beginning of the year	13,593
Additions	2,608
Depreciation for the year	(5,697)
Balance at the end of the year	10,504

(27) Leases, continued

Lease liabilities

At September 30, 2020, the ACP's lease liabilities amounted to B/.11,101. See Note 26 for maturity analysis of lease liabilities as at September 30, 2020.

The following are the amounts recognized in profit or loss:

	2020
Interest on lease liabilities	268
Expenses relating to short-term leases	948
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	380

The following are the amounts recognized in the statement of cash flows:

	2020
Operating activities:	
Interest expense on lease liabilities	268
Expenses relating to short-term leases	948
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	380
Financing activities:	
Payments to principal of lease contracts	5,119
Total cash outflows for leases	6,715

The ACP as lessor

The ACP leases its investment property, for example, land and buildings, consisting of its owned properties as well as leased property. All leases are classified as operating leases from a lessor perspective; mainly because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. Therefore, the ACP does not require any adjustment with the adoption of IFRS 16 for those leases where it acts as lessor.

(28) Related Party Transactions

During 2020, the ACP executed the following commercial transactions with the following Republic of Panama institutions:

	Sale of goods and services		Purchase of goods and services	
	2020	**2019**	**2020**	**2019**
Sales of potable water to the Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)	36,536	36,174	0	0
Other government entities	15,246	10,637	0	0
Caja de Seguro Social	0	0	78,899	79,723
Fees paid to Panamanian Treasury	0	0	542,679	534,521
	51,782	46,811	621,578	614,244

(28) Related Party Transactions, continued

The following balances were outstanding at the end of the reporting period:

	Amounts owed by the Republic of Panama		Amounts owed to the Republic of Panama	
	2020	**2019**	**2020**	**2019**
Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)	7,662	7,656	0	0
Other government entities	16,629	14,198	0	7,189
Ministerio de Obras Públicas (MOP)	0	0	33,663	33,663
Caja de Seguro Social	0	0	22,609	32,756
Public service fees	0	0	162	44
Panamanian Treasury – net ton transit	0	0	43,345	44,370
	24,291	21,854	99,779	118,022

As of September 30, 2020, the ACP maintains deposits at Banco Nacional de Panamá for B/.1,261,890 (2019: B/.596,000), which have generated interest income for B/.1,441 during 2020 (2019: B/.8,005).

Amounts owed by and owed to the Republic of Panama are classified as accounts receivable and accounts payable, respectively. Additionally, the sales of goods and services to the Republic of Panama were made at the ACP's usual prices or rates on the published lists, without discount.

The outstanding amounts are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior period for bad or doubtful debts with respect to the amounts owed by related parties.

Compensation and benefits to key executives

At September 30, 2020, the ACP paid a total of B/.2,349 (2019: B/.4,481) for remuneration and benefits to its key management personnel. The Board of Directors compensation for the period 2020 amounted to B/.680 (2019: B/.467). It is the responsibility of the Administration to determine the salaries of key management personnel in conformity with the Personnel Administration Regulations, subject to the Board of Directors ratification. It is the Board of Directors' responsibility to determine the salaries of the Administrator, Deputy Administrator, Inspector General and the Secretary of the Board of Directors.

(29) Commitments

Commitments for construction contracts in process and purchase orders pending of delivery are as follows:

	2020	**2019**
Investment programs:		
Canal expansion	54,613	70,819
Operations	53,543	61,206
Total	108,156	132,025

(29) Commitments, continued

Commitments of the Investment Program - Others includes: Damen Shipyards Gorinchem VB for the replacement of the Titan Crane for B/.25,234 (2019: B/.37,010); Consorcio AMA-MSB for collection and treatment of wastewater in ACP's areas for B/.2,572 (2019: B/.2,466) and Constructora Conconcreto S.A. for improvements to the access roads to the Locks and the Miraflores' Visitors Center for B/.2,283 (2019: B/.2,528).

Commitments of operations include contracts awarded: for purchases of inventory for B/.19,222 (2019: B/.17,482), to Willis Towers Watson for the multi-year insurance policy B/.12,866 (2019: B/.13,970); Mapfre Panamá, S.A. for the multi-year insurance policy B/.3,001 (2019: B/.1,778) and Constructora MECO, S.A. for excavation of the east slope of the Cucaracha Reach, Phase 1-Gaillard Cut for B/.1,789 (2019:B/.0).

Guarantees

The ACP subscribes the following contracts for the purchase of energy, which are guaranteed with a compliance bond issued by a bank with investment grade A+ from Standards & Poor's. At September 30, 2020, the only active contract between ACP and ETESA is for B /.794 (2019: B/.800).

(30) Contingent Liabilities

The ACP is exposed to legal risk arisen from disputes with contractors and other third parties. The outcome of any current of future proceedings normally cannot be predicted. Legal proceedings we currently consider to be material are outlined below. The legal proceedings referred to do not represent an exhaustive list.

Third Set of Locks litigation

As of September 30, 2020, claims from GUCPSA and its shareholders, other than CUSA ("the Plaintiffs") have an amount of B/.1,041 million in two (2) arbitrations, Concrete and Locks. In addition, the Plaintiffs have a Disruption arbitration that have been divided in two groups: the Group 1 with an estimated amount of B/.1,899 million plus interests and the Group 2 which the Plaintiffs must quantify in the respective Statement of Claims that is schedule to be filed during the last quarter of calendar year 2020. The foregoing constitutes the contingent liability of the ACP resulting from the claims of the Plaintiffs, in relation to the Third Set of Locks. This contingent liability has no provisioned funds. ACP believes it has meritorious defenses in all these claims and intends to defend itself vigorously.

Below is described the general information regarding the status of these arbitrations:

- *The Concrete Arbitration*
  In March 2015, both the ACP and the Plaintiffs filed two arbitration cases related to the concrete, aggregates and laboratories to which were later added claims on faults. These claims were consolidated in one arbitration ICC Case No. 20910/ASM//JPA (C-20911/ASM//JPA). The Plaintiffs seek to recover from the ACP a total amount of B/.430,296 plus interests, and the ACP is seeking the return of the amount that was paid pursuant to DAB decision in Dispute 11 for B/.244,061, Dispute 10 for B/.14,823 and Dispute 14B for B/.6,415. Likewise, the ACP claims Delay Damages, as provided for in the Contract, in an amount of B/.54,600.

(30) Contingent Liabilities, continued

The final hearing was held on October 12 and 13, 2019. On September 25, 2020 a Partial Award was rendered which:

1. Dismissed the Plaintiffs claims regarding the concrete mix, concrete aggregate, ROI and extension of time.

2. Ordered the Plaintiffs repay to the ACP the sum of B/.265,300 less the amounts ACP was ordered to pay to the Plaintiffs in this partial award.

3. In respect of the claim concerning on-site laboratories, the ACP was ordered to pay the Plaintiffs the sum of B/.17,198 plus financing charges (yet to be calculated).

4. In respect of claims concerning foundation conditions, the ACP was ordered to pay the Plaintiff:

   a) B/.3,231 due to unforeseeable physical conditions in the Aguadulce Fault Zone and B/.301 due to due to unforeseeable physical conditions in the Lock Head 1 Fault zone, plus direct costs of additional lean concrete and additional excavation that were required, along with Value-Added Tax (VAT), overhead and financing costs on such direct costs. These remaining costs are yet to be calculated.

   b) Direct costs associated with the portion of the additional lean concrete and additional excavation in the Basalt Reach of the Pacific Locks Structure where the Plaintiffs encountered unforeseeable shear zones, along with Value-Added Tax (VAT), overhead and financing costs on such direct costs. These costs are yet to be calculated.

5. Dismissed the ACP's claim for Delay Damages in an amount of B/.54,600 on the Concrete Arbitration, but did so without prejudice to the merits of the claim to be made in the Disruption Arbitration.

- *The Lock Gate Arbitration*
  In December 2016, the Plaintiffs filed an ICC claim related to the design of the lock gates and labor costs adjustments, which is currently consolidated with another arbitration filed in July 2017, which includes exactly the same claims, resulting in reference ICC Case No. 22465/ASM/JPA (C-22966/JPA). Plaintiffs filed its Statement of Claim at the end of March 2020 and quantified its claims at B/.610,435. The ACP should submit its Statement of Defense during the first quarter of calendar year 2021.

- *The Disruption Arbitration*
  In December 2016, the Plaintiffs filed a claim which covers the entirety of the claims that had not been submitted already in arbitration, among which is included the disruption claim. This arbitration was consolidated with another arbitration filed in July 2017 related with exactly the same claims, resulting in reference ICC Case No.22466/ASM//JPA (C-22967/JPA). In a Case Management Conference held on May 2, 2019 the claims were divided into two large groups, taking into consideration their temporality and a Procedural Timetable was agreed. The Plaintiffs filed its Statement of Claim for Group 1 in January 2020, quantifying its claims pertaining to this group to B/.1,898,876. The ACP should file its Statement of Defense for Group 1 during the first quarter of calendar year 2021. Additionally, the Plaintiffs shall submit their Statement of Claim for Group 2 during the last quarter of calendar year 2020.

(30) Contingent Liabilities, continued

- *Arbitration final awards*
  As of September 30, 2020, two (2) of the arbitrations filed by the Plaintiffs against the ACP under the Arbitration Rules of the ICC concluded with arbitral awards in favor of the ACP in relation to the Temporary Cofferdam and the Advance Payments.

Others

There are six claims related to the Contract for the Construction of a Bridge across the Canal at the Atlantic side, which are compiled in a single arbitration process for an amount of B/.214,619, which includes the costs of the process The Arbitral Tribunal rendered a partial award, partially acknowledging five (5) of the six (6) claims of Puente Atlántico, S.A. (PASA) and rejecting one (1), without determining the amount to be paid.

According to the Tribunal award, the amounts have to be determined by a final award in a further phase of the proceedings. The award could be submitted to annulment proceeding before the Fourth Chamber of the Supreme Court of Justice of Panama.

On November 18, 2016, the ACP learned that a bailiff (*huissier de justice*) in France had ordered a branch in Paris of a Bank whose parent company is in the United Kingdom, a cautionary measure on a time deposit of approximately B/.49,356 that the ACP maintained in that Bank´s branch in New York. As a result of the above, the Bank's branch in Paris accepted the order and froze the ACP time deposits at the branch in New York. The measure imposed was based on an arbitration award issued on January 27, 2005 in favor of the plaintiff and against the Panama Transit and Land Transportation Authority and, subsidiarily, the Republic of Panama. The plaintiff alleges in its claim that the ACP was jointly and severally liable with the Republic of Panama for this obligation. The ACP, which is an autonomous legal entity with its own assets, as established by the Political Constitution of the Republic of Panama, is not part of the controversy that originated this award and is not in solidarity with the Republic of Panama; therefore, the ACP rejected the legitimacy of the precautionary measure and filed a request to lift it and requested its dissociation of the process, since ACP was not part of the dispute. On April 26, 2017, a judge issued his decision ordering the lifting of the cautionary measure, so that all of the funds subject to the injunction were released and transferred to the ACP. This decision was confirmed by the Court of Appeal of Paris, by judgment issued on May 24, 2018. On May 24, 2019, the plaintiff filed a recourse of “Cassation” before the French Court of Cassation against the decision of the Court of Appeals of Paris, so the ACP filed its opposition to such recourse. At September 30, 2020, it is pending that the Court of Cassation set a date for the substantiation of the opposition and then issues its decision. The ACP believes it has meritorious defenses and intends to defend itself vigorously.

In addition, during 2020, the ACP received marine claims for an amount of B/.3,134. Also has miscellaneous claims outstanding for an amount of B/.13,857 and other claims related to various construction contracts for B/.6,676. The ACP believes it has meritorious defenses in all these claims and intends to defend itself vigorously.

The notes contained herein are related to claims against the ACP, therefore, cannot and should not be considered as support or proof of acceptance of responsibility on the part of the ACP.

(31) COVID-19 Crisis

During 2020, the Coronavirus (COVID-19) outbreak has spread throughout the world, resulting in the temporary suspension of certain production and supply chains, and consequently, disrupting international trade, which has led to a global economic slowdown. Governments, including that of the Republic of Panama, have adopted, among other measures, the temporary suspension of certain business activities, travel restrictions and social isolation through quarantine in order to preserve the social balance, health and life of the population.

This situation could have adverse effects on future operations, financial results, and the liquidity of the ACP. The Panama Canal continues to monitor and assess the situation in order to be prepared to continue facilitating world trade with a reliable and safe service.

To guarantee the continuous operation of the Panama Canal, in January 2020, the ACP adopted a series of security protocols in all operations following the Ministry of Health of Panama (MINSA) guidelines.

At September 30, 2020, except for some specific cases mentioned below, the impact of COVID-19 has not been significant for the entity. However, during the period after the date of the financial statements and until the date of their issuance, management will continue to monitor and assess the effects that the situation has had on its operations and those of its clients and debtors.

Management considers that the main factor of the COVID-19 crisis that has an impact on the financial statements of the ACP, based on the information available and the analysis carried out to date, is the Human talent, which is described below:

Human talent

Since initial reports related to the appearance, spread and increase of COVID-19 cases were received, for the ACP, the care of its employees has been a priority; therefore, various prevention measures were immediately taken.

The ACP inspection and control personnel ensures compliance with the Health Regulations and Prevention of contagious diseases within the Panama Canal waters. These inspections have been performed for many years due to contagion risk issues and are applied to all ships that arrive in jurisdictional waters of the Panama Canal. For the specific case of COVID-19, additional measures were taken such as: requesting the vessels to report to the Ministry of Health all crew changes at ports with coronavirus cases; confirmation of crew health status prior to boarding; provide employees with masks and alcohol gel; and permanent communication with MINSA doctors.

In March 2020, the ACP decided to temporarily suspend all administrative and non-critical activities of the Authority, in order to establish a critical baseline of operational and administrative positions required to guarantee the continuity of the operation of the Canal, taking into consideration the recommendation from MINSA regarding social distancing as the most effective way to prevent the spread of the virus. In June 2020, a gradual reincorporation of personnel started and to guarantee their safe return, protocols for adjustments and cleaning of facilities and equipment as well as of industrial hygiene and occupational health were disclosed and applied. As of September 30, 2020, only 10% of the workforce remain working remotely.

(31) COVID-19 Crisis, continued

The ACP took measures to protect the workers whose functions must be carried out at the sites of operations. These actions included the sanitization of facilities, work areas, and vehicle fleet; setting new transportation routes for employees; alternate schedules; the provision of protective equipment such as face masks and alcohol gel stations at sites; taking temperature at all accesses; and the establishment of the Crisis Control Management Center for COVID-19. Additionally, the ACP has been updating customers on COVID-19 prevention guidelines and has established a system to support mental and physical health issues, as well as financial advice to employees during this health crisis.

(32) Events that Occurred after the Reporting Period

The Board of Directors approved at its meeting on December 15, 2020, the transfer to the National Treasury of the operating and functioning economic surplus corresponding to fiscal year 2020 by the amount of B/.1,281,448. (Note 15).

CANAL DE PANAMÁ