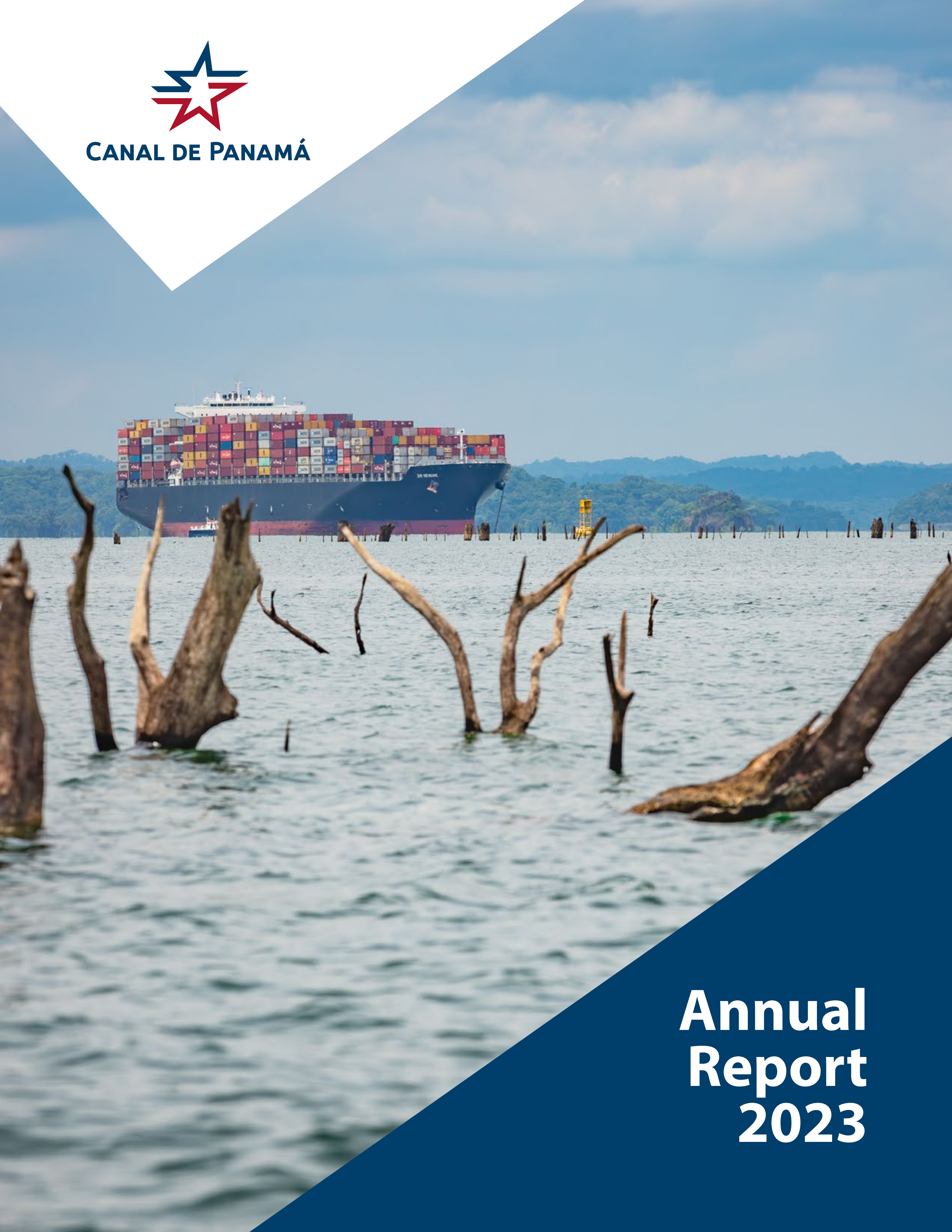
Canal de Panamá



Annual Report 2023

Contents

Message from the Chairman of the Board of Directors and Minister for Canal Affairs

Aristides Royo Sánchez

In this last period as Minister for Canal Affairs and President of the Panama Canal Board of Directors, I am pleased to inform you on the performance and achievements of the interoceanic waterway during fiscal year 2023, running from October 1, 2022 to September 30, 2023.

As a result of this Administration's strategy, implemented to provide value to the Panama route through a staggered and simplified toll adjustment, the Panama Canal delivered the largest historical contribution to the National Treasury, reaching B/.2.55 billion.

With our contribution from fiscal year 2023, we have reached a total of B/.25.76 billion in direct payments to the National Treasury, from 1999 to date, after the waterway's management was transferred to Panamanian hands. This figure is noteworthy, as it demonstrates that the Panama Canal continues to be a profitable public company, generating substantial earnings that are ultimately transferred to the National Government for the sake of our nation.

Nonetheless, it is important to highlight that, due to water scarcity, the Panama Canal has foreseen a decrease in transit volume and total tonnage for FY-2024, while investments and capital reserves for future projects are expected to grow by 26.4%. Among the investments that stand out are solutions for water availability, related business activities that complement the Canal operation, and the Integrated Operations Control Center (CICO).

As a consequence of the water crisis that worsened in 2023, the budget presented for fiscal year 2024 includes a reduction in transits and an associated impact on toll revenues in the order of B/.200 million, compared to a typical budget for a normal '36-daily-transits' scenario.

Despite the outstanding Canal performance during the 2023 fiscal period, the water crisis affecting the country made it necessary to implement water optimization measures. One of these measures, proposed by the Administration and approved by the Board of Directors, was to modify the variable component of the Fresh Water Surcharge (CAD, for its acronym in Spanish), and, at the same time, allow the levels of the Gatun and Alhajuela lakes, affected by the lack of rain, to improve.


Pedro Miguel Locks

In 109 years of service to world trade, commemorated on August 15, the Panama Canal has demonstrated its ability to reinvent itself, overcome challenges, and seek new opportunities to enhance its operational capacity, as well as strengthen the geographical position of our country.

Now we rise to the task of adapting our company to the climatic conditions that affect the entire world and demonstrate our ability to develop projects that streamline our water resource management system, in order to continue guaranteeing its availability for human consumption, Canal operations, and other productive activities.

All of this will depend, once again, on the will of Panamanians to join forces for this national cause, which will ensure the sustainability of the waterway and allow future generations to enjoy its benefits.

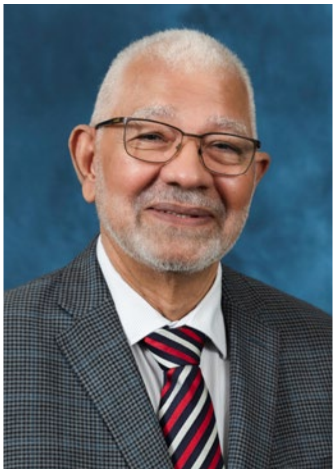
Last, but not least, I wish to express my deepest respect and admiration to the entire Panama Canal workforce, who with a great sense of duty and professionalism carry out the most important job in the modern history of the country: serving the Canal and the Panamanian nation.

Board of Directors

Nicolás González Revilla
Director

Ricardo Manuel Arango
Director

Aristides Royo Sánchez
Chairman of the Board of Directors



Luis Navas Pájaro
Director

Óscar Ramírez
Director

Laury Melo de Alfaro
Director

Jorge L. González
Director

Dora M. Perez Balladares B.
Director

Enrique Sánchez Salmon
Director

Francisco Sierra Fábrega
Director

Roberto Ábrego
Director

**Members of the Board of Directors for fiscal year 2023 (October 1, 2022 to September 30, 2023).*

Message from the Administrator of the Panama Canal

Ricaurte *(Catín)* Vásquez Morales

Climate variability is felt globally, increasing the vulnerability of crucial maritime infrastructure to extreme and recurring conditions. Recent droughts have hindered trade in waterways, from the Amazon to the Yangtze. In 2022, some vessels were forced to reduce their cargo to only 25% of their capacity along the Rhine, as Europe suffered its worst drought in 500 years. Later, experts estimated that the total damage and economic losses caused by historically low basin levels of the Mississippi River and related supply chain issues added up to approximately $20 billion.

In 2023, this had an impact on the Panama Canal, as it is facing a drought with unprecedented consequences, testing our ability to solve the most difficult problems as a nation. Although we live in a country known to have plenty of rainfall, we do not have enough reservoirs to store the freshwater we require for human consumption and Canal operations in times of prolonged drought, such as the current one.

We need to take measures to guarantee water reserves for human use and waterway operations, which have been studied by the Panama Canal for years. In 2023, Canal experts, together with the United States Army Corps of Engineers (USACE), delivered a report concluding that even a series of joint optimization, savings, and engineering measures within the current Canal Basin will not be sufficient to meet the growing water demand imposed on the Canal's reservoir system: the Alhajuela and Gatun Lakes.

To this end, the Panama Canal Board of Directors proposed the Panama Canal Watershed Definition and Expansion Project to the Executive Branch of the National Government, as it involves actions from the Executive and Legislative Branches to address water needs for 55% of the population, industrial consumption, and maritime operations.

Important decisions must be made, involving social, environmental, and infrastructure work for the progress of Panamanians and to benefit global trade.

The Panama Canal is ready to act, based on preceding success at the social and environmental management level in its watershed, which has been strengthened by the execution of programs to reduce our carbon footprint, as well as to ensure the development of its inhabitants.

We have promoted community empowerment, showcasing that it is possible and that economic growth needs to go hand in hand with environmental sustainability and human well-being.

As proof of environmental conservation, our Environmental Economic Incentives Program (PIEA) reached a significant milestone by planting more than five million seedlings in the watershed in collaboration with local communities. Furthermore, through the PIEA's agroforestry component, efficient coffee production and marketing methods were applied as an alternative for creating a protective vegetation cover in the watershed, and at the same time enabling the harvest of about 15,000 hundredweights of coffee, adding up to more than a million dollars in sales.

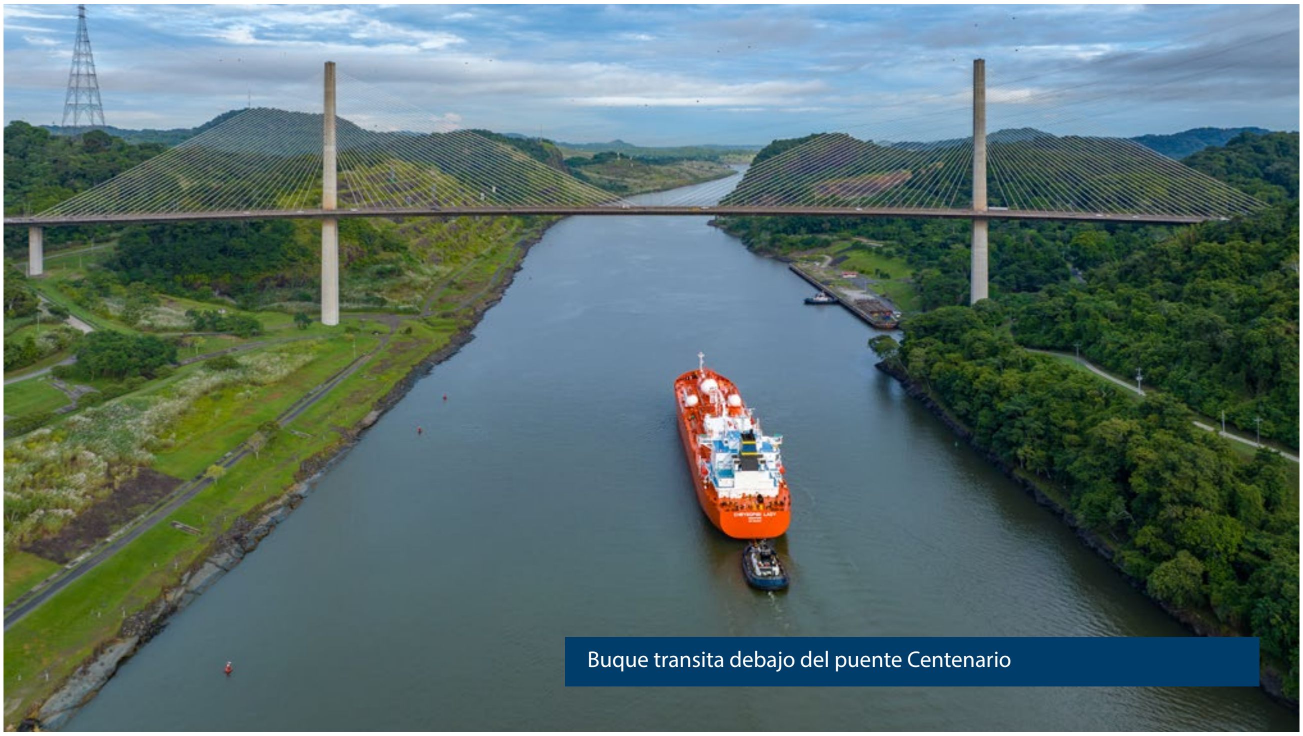
With the support of other Government institutions, we included watershed communities in our Environmental Economic Incentives Program, by issuing 10,400 property deeds for residents of this region, as part of the Cadastre and Land Titling Program. Additionally, 11,803 property deeds were processed in what was formerly the Canal Watershed Western Region (ROCC), and 327 in the Indio River Watershed during the surveys carried out between 2017 and 2020. In total, we have granted more than 22,000 property titles to benefit Panama Canal and surrounding watershed residents.

It is difficult to quantify the power granted by a land title, as it not only opens the possibility of accessing banking credit to develop projects and fulfill dreams, but also leaves a family legacy, as it generates household stability and security. This is one of the ways the Panama Canal works with its communities, fostering their sustainable development.

Together, we have tested our capacity and determination as a nation in two previous phases: first, we proved that we can efficiently manage the Canal and adapt to meet the needs of global trade. 30 years ago, Panama took control of the Canal. Later, in the second phase, we expanded it to generate more benefits and satisfy international trade.

Now we have a third milestone ahead of us: the challenge of sustainable growth, with efficient management and good use of our water sources for the well-being of all Panamanians, while maintaining our waterway as an essential international trade route.

Residente de la Cuenca del Canal cosechando café



Buque transita debajo del puente Centenario

We also count on support from our global clients, as they strongly value the route through Panama. Since the beginning of 2020, through a consultation process involving our users, the Canal successfully implemented a strategy that deems water to be its most valuable resource, along with the route through Panama itself.

The first component of this strategy was to prioritize water, establishing in 2020 a Fresh Water Surcharge (CAD) for all ships that transit the Canal.

Despite the drought and the limitations imposed by the water shortage, the second component involved the establishment of a toll system that reflects the route's true value, generating greater revenue from our 2023 operations. Moreover, the route's strategic value and its water have allowed the Panama Canal to double its revenue between 2019 and 2023, and increase its State contributions by 42%.

To continue growing, a third component involves developing activities that are complementary to Panama Canal operations, including the acquisition and comprehensive development of the west bank and the establishment of an Intermodal Logistics Center.

For some time, there has been talk of alternatives that aim to compete with the Panama route, and recently, countries such as Mexico, Colombia, and Costa Rica have announced these projects. The Canal is aware of these initiatives and is working to capitalize on Panama's natural geographical advantage, as the most efficient route to transport products internationally.

The Panama Canal team, its 8,500 employees, with the support of its Board of Directors, have worked relentlessly to achieve the results that we deliver to the country for its well-being and growth.

The water crisis we are experiencing has made our most important resource, human capital, work together to come up with solutions, and optimize water consumption during each transit, saving up to 50% per lockage.

On the other hand, during this period we have strengthened our commitment to transparency, communication, and service to our users, through more detailed and real-time information on lake levels, waiting queues, and measures to address shortages, enabling our clients to make the best decisions before their vessels set sail.

When it comes to operational results, we can highlight that the Canal concluded fiscal year 2023 with a global revenue of B/. 4.97 billion (B/. 645 million or 14.9% above fiscal year 2022), and with 511.1 million PC/UMS tons (Panama Canal Universal Measurement System), reflecting a 1.5% decrease compared to the previous fiscal year's tonnage.

Despite water scarcity, the budgeted 2024 revenue exceeds that of 2023 by 2.7%, due to the staggered toll scheme implemented in January 2023, which ends in 2025. In this sense, 74.56% of Panama Canal revenue for fiscal year 2024 will be from tolls, 23.21% from Other Maritime Services (OMS), 1.05% from electrical energy sales, 0.73% from potable water sales, and 0.45% from other business areas.

To conclude, what we have experienced in 2023 prepared us to face future social, environmental, and economic challenges. Our priceless human capital and teamwork will continue to drive Panama's progress.

Senior Management Team

Ricaurte Vásquez Morales
Administrator

Miriam E. Sánchez de Murillo
Vice Presidency for
Human Capital

Agenor Correa P.
Vice Presidency for
General Counsel

Ilya Espino de Marotta
Deputy Administrator

Luis A. Rovira R.
Vice Presidency for
Water Resources
Management

John D. Langman K.
Vice Presidency for
Water Projects

Salvatore F. Bacile L.
Vice Presidency for
Corporate Affairs

Miguel A. Lorenzo F.
Vice Presidency for
Infrastructure and
Engineering

Lorena V. Fábrega Wiest
Vice Presidency for Communication
and Corporate Image

Víctor Vial C.
Vice Presidency for
Finance

Boris M. Moreno V.
Vice Presidency for
Operations

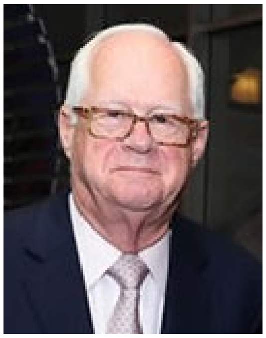
Antonio A. Córdoba
Vice Presidency for
Digital Transformation

Advisory Board

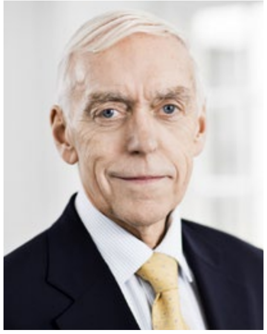
The International Advisory Board is the body that advises the Board of Directors and senior management of the Panama Canal Authority on issues of needs, requirements and improvement of the services that the Canal provides to the maritime industry, in accordance with the Political Constitution of the Panama Canal Authority. Republic of Panama, the Organic Law and its regulations.

It constitutes a collegiate group of leaders from the international community who contribute with their opinions and experiences to the design and improvement of plans for the improvement of the Panama Canal. The Advisory Board is made up of 15 distinguished personalities from the maritime and business world who meet at least once a year, at the call of the Board of Directors.

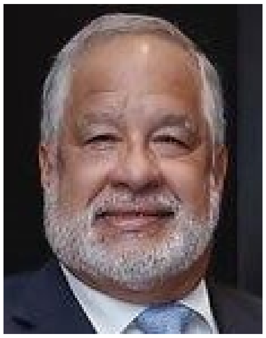
In fiscal year 2023, the Advisory Board met with the Board of Directors twice, in the months of March and October. During these meetings, the Administrator, accompanied by several vice presidents, presented reports to the Advisory Board on the performance of the Canal, its operations, and the financial and water situation of the Panama Canal.



Admiral William J. Flanagan
(president)



Flemming Jacobs



Salvador Jurado

Albert Nahmad

Joe Reeder

Mikio Sasaki

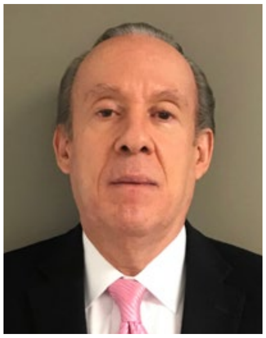
Tommy Thomsen

Anthony Chiarello

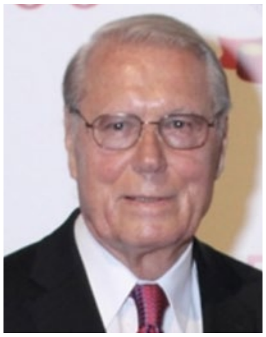
Wang Haimin

Hani Mahmassani

Patrick Murphy



Mario Maffei



Gerhard Kurz

Andrónico Luksic Craig

Richard Gabrielson

Worldwide positioning of the Panama Canal

The Panama Canal's main trade routes (by tonnage):

- U.S. East Coast - Asia
- U.S. East Coast - South America's West Coast
- South America's West Coast - Europe
- South America's Intercostal route
- South America's East Coast - Asia

Nearly 3% of Global Maritime Trade Transits the Panama Canal.

The Canal connects 180 routes in 170 countries, through 1,920 ports worldwide.

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.

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

Annual Key Results

- PC/UMS tonnage: 511.1 million
- Transits: 14,080
- Total revenue: B/.4.968 billion
- Workforce: 8,549 employees
- Direct contributions to the National Treasury: B/.2.545 billion
- Total contribution to the national economy: B/.3.630 billion
- Direct contribution of the Canal to the Gross Domestic Product (GDP): 3.1%


Vessel heading for the Atlantic Ocean

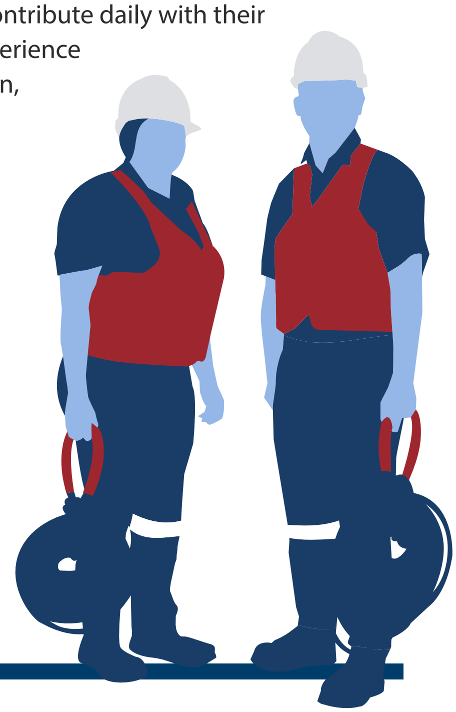
Human Capital

Labor Indicators

Staffing

8,549 employees
46 years - average age

The most important asset of the Panama Canal is its people, who contribute daily with their knowledge and experience to the administration, operation and maintenance of the waterway, guaranteeing the sustainability and competitiveness of our route.

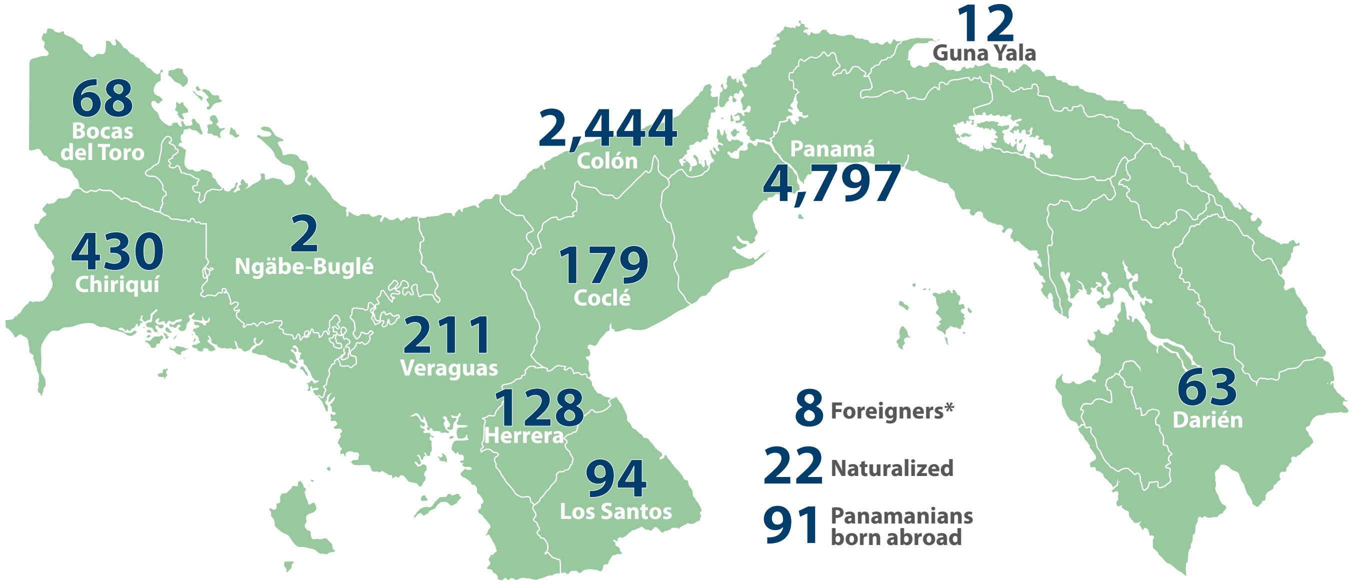


Diversity and Gender

977 (11%)

7,572 (89%)

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.

Employees in the Canal's operational area

Labor Management Plan

The labor management plan (PGL in Spanish) has given the opportunity to all Panama Canal employees to compete for permanent job openings, in line with our merit-driven placement and hiring process. This process has promoted competition and has equally allowed opportunities for both permanent employees (through job opening lists) and temporary employees (through certificates of eligibility) to compete for vacant permanent positions.

During FY 2023, the Canal filled 1,575 vacant permanent job openings. Of these, 684 correspond to former temporary employees and 891 correspond to permanent employees.

Collective Bargaining

During FY 2023, the Memorandum of Understanding (MOU) applicable to the new Security Guards Negotiation Unit was signed. The MOU adopted the conditions of the Non Professional Workers Collective Bargaining Agreement, to which previously the security guards belonged. The MOU will be valid through December 31, 2024, and is applicable to approximately 4.1% of the workforce. The collective agreement for the Marine Engineers Negotiation Unit was also signed. The agreement will be valid through December 31, 2023, with an estimated financial impact of B/.17 million, applicable to approximately 2.4% of the workforce.

The negotiation of the collective bargaining agreement for the Captains and Mates negotiation unit continued.

Additionally, the collective bargaining agreement with the Panama Canal Pilots negotiation unit was extended through the last day of the last pay period of the 2025 administrative leave year.


Occupational health and safety fair

Health, Sports and Well-Being

During FY 2023, we continued the execution of the Employee Health and Wellbeing Improvement Program, which focused on high blood pressure control, as well as obesity control and treatment, for all the employees that required it. In addition to these actions, more than 113 presentations on health promotion and healthy lifestyles were given to workers in different operational and administrative areas.

Regarding occupational safety, the more than 400 hearing protection tests for helmet earmuffs for industrial workers in Gamboa and Monte Esperanza stand out. Additionally, we expanded the scope of the Prescription Safety Glasses Standard, benefiting approximately 2,000 workers who may opt for prescription safety glasses through the Canal's corporate contract for this purpose.

In relation to sports and recreational area services, we extended the opening hours of gyms and swimming pools to encourage greater use and promote physical conditioning. In addition, we can highlight the large number of workers who participated in sports leagues in different disciplines, such as softball, soccer, kickball, volleyball, and basketball. Altogether, more than 20 leagues were held, with more than 100 teams and 3,100 workers.

For the first time, the Canal sponsored an intercollegiate indoor soccer tournament, where 5 public schools and 60 students participated, making the Canal's sports facilities available to Panamanian students.

Finally, the 2023 workers' Climate, Satisfaction and Commitment Census of the Panama Canal was carried out, to get an insight into the employees' perceptions of the strengths of waterway management, as well as into the different areas needing improvement. With the results of this study, the Canal will implement programs to improve such areas that require attention.

Water Resources, Environmental Management and Sustainable Development

Water Resources

The reservoirs of the Panama Canal Watershed (CHCP, for its acronym in Spanish) supply water to approximately 2.5 million inhabitants of the country, concentrated in the provinces of Panama, Colon, and West Panama. At the same time, these freshwater reservoirs sustain the waterway's operation and other socio-economic activities. The Gatun and Alhajuela reservoirs' levels allowed ample water for both human and industrial consumption in FY 2023, while the average Gatun reservoir level during the same year was 83.65 feet (25.50 m), providing a draft of no less than 44 feet at the Neopanamax Locks, and the maximum permissible draft of 39.50 feet at the Panamax Locks.

Water Balance

Total contributions to the CHCP during FY 2023 resulted in 3,828 Mm^3 (121 m^3/s), broken down into 3,370 Mm^3 (107 m^3/s) of net contributions and 458 Mm^3 (14 m^3/s) of evaporation in the reservoirs. Total contributions to the CHCP during FY 2023 are the lowest in the 1898-2023 period.

Water consumed by the Panama Canal Locks during FY 2023 was 2,884 Mm^3 (2,584 Mm^3 per lockage and 300 Mm^3 for salinity control). Of this volume, 53% (1,523 Mm^3) corresponds to the Panamax Locks and 47% (1,361 Mm^3) to the Neopanamax Locks. The average daily water use at the locks was 7.90 Mm^3 (91.45 m^3/s).

Table 1. Contribution of water sources to the Canal Watershed

Source	Quantity of water (Mm3)	% of total
Chagres river	776	20%
Pequeni river	362	9%
Boqueron river	180	5%
Indio Este river	106	3%
Madden Local	253	7%
Alhajuela reservoir	61	1%
Alhajuela reservoir sub-watershed	**1,738**	**45%**
Gatun river	131	3%
Gatun Norte	475	12%
Ciri Grande river	179	5%
Trinidad river	139	4%
Cano Quebrado river	39	1%
Gatun Sur	366	10%
Gatun reservoir	761	20%
Gatun reservoir sub-watershed	**2,090**	**55%**
Total contribution to the CHCP	**3,828**	**100%**

2023 was one of the driest years in Canal history

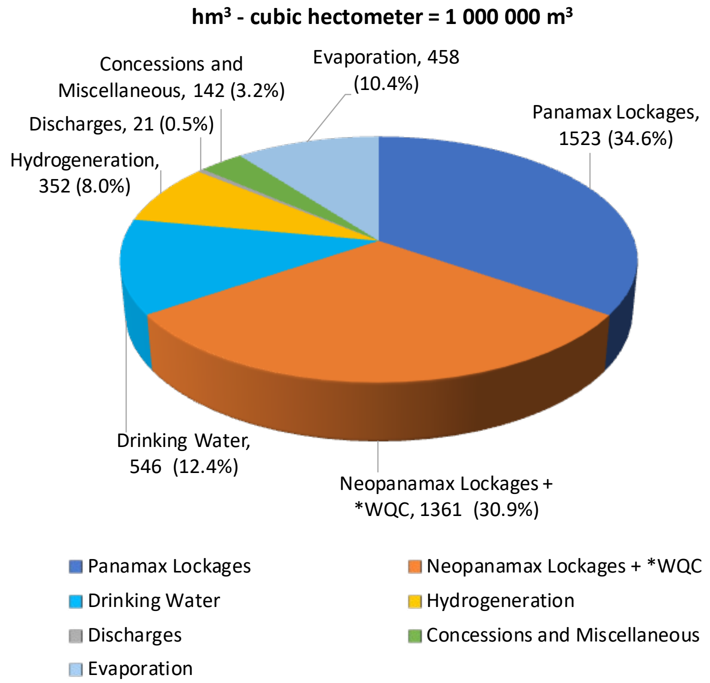
Water Uses

The water volume saved during FY 2023 at the Panamax Locks was 220 Mm^3 distributed as follows: Gatun Locks 42 Mm^3 (19%) and Pedro Miguel Locks 178 Mm^3 (81%). It should be noted that this volume is equivalent to one sheet of water from the Gatun reservoir equal to 1.84 feet (0.56 m). The average transit water consumption for one (1) Panamax vessel was 0.163 Mm^3, 78% of an equivalent lockage (EE).

An average of 0.3745 Mm^3 of water was required for each Neopanamax vessel transit. Of this volume, 0.1809 Mm^3 (48%) was used for water quality conservation (CCA) in the Gatun reservoir.

The water volume deficit of 574 Mm^3 (18 m^3/s), to satisfy the water demand, was covered by the Gatun and Alhajuela reservoirs. The average daily salinity during FY 2023 in the Gatun reservoir's navigation channel was 0.2262 practical salinity units (PSU).

Graph 1. Water use distribution (4,403 hm^3) of the Panama Canal Watershed for fiscal year 2023

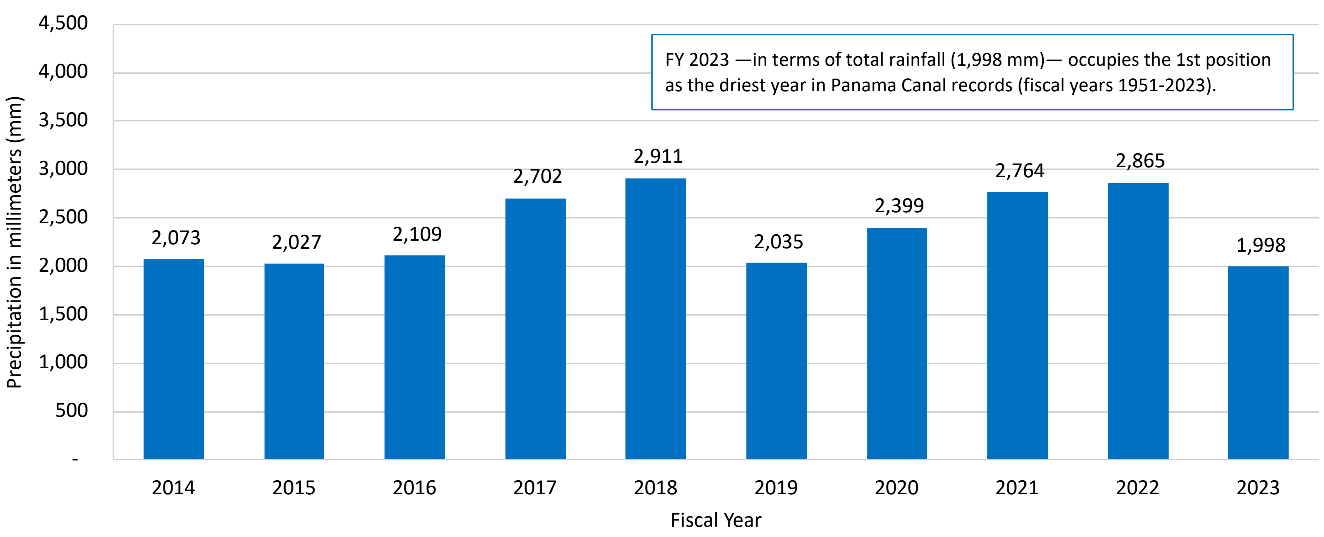


*WQC: Water Quality Conservation

Rainfall

For fiscal year 2023, rainfall over the Panama Canal Watershed (CHCP) was 1,998 mm, 25% below the 2,659 mm historical average. The 661 mm deficit has been the driest in the 1951-2023 historical record.

Graph 2. Precipitation by fiscal year from 2014 to 2023 in the Panama Canal Watershed



In fiscal year 2023, more than 300 families in the Watershed have benefited from the PIEA

Socio-Environmental Management

The Panama Canal carries out environmental management consistent with its constitutional mandate, within all its responsibility areas. In this sense, and during an unusual fiscal year due to atmospheric phenomena, our efforts required a thorough reorganization of processes and resources to address —within our sustainable development framework— the water security challenges that we currently face.

Environmental Economic Incentives Program (PIEA)

As part of this fiscal year's Environmental Economic Incentives Program, projects were established for a total of 392 hectares in coffee farming, silvopastoral systems, sustainable family agriculture, and enrichment planting (see table). For the forest protection component, the incentive project for forest protection and conservation was developed, which incorporated 1,000 more hectares of protected forests into the program, for a total of 5,150 hectares of forests under this protection strategy.

As part of the actions aimed at increasing the productivity of existing coffee plantations, the Sustainable Coffee Production Program in the CHCP was developed. This program will serve as a framework to promote and execute projects that improve coffee quality and establish production models, in addition to identifying potential markets that can guarantee a suitable demand for this commodity.

Table 2. Environmental Economic Incentives Program – FY 2023

Modality	Hectares	Benefited Households
Agroforestry (coffee farming)	74	35
Silvopastoral systems	210	40
Enrichment planting	50	15
Sustainable family agriculture	58	232
Total	**392**	**322**

Youth Network for the Environment and the Panama Canal Watershed

In FY 2023, 278 young men and women underwent a three-day training course on topics such as social network management and community development under the sustainable cities focus. The execution of the Network's plans continued with community actions to benefit the environment. The Panama Canal hosted the II Environmental Contest in the photography, videography, and composition categories, as well as the II "Connected by Water" Forum, which had the participation of 144 young men and women from different environmental networks nationwide.

Environmental Education and Culture (EyCA)

Environmental Education and Culture continued to be taught, with which 75 teachers from different regions of the Panama Canal Watershed were trained, and 44 collaborative creative environmental projects executed. The diploma benefited 1,610 students from 42 schools.

Through eco-educational tours in the Canal, 2,452 people (students, teachers, parents and representatives of the Youth Network for the Environment and the Panama Canal Watershed) from 40 schools visited Agua Clara Locks to understand the connection between their communities, the Panama Canal, and the water, as well as the importance of protecting it.

Water Governance Participatory Platform of the Panama Canal Watershed

The strengthening of the participatory platform of the Watershed continued. This is a CHCP land management consultation space, with the purpose of achieving participatory water governance. It is made up of six (6) Watershed Advisory Councils (CCC) and twenty-six (26) Local Committees (CL). During fiscal year 2023, 107 Local Committee meetings and 17 Advisory Council meetings took place to coordinate actions. In these, 3,287 people attended, of which 50% were women.

Residents of the Watershed marketing their products

Promotion of Socioeconomic Development

The Canal continued with the implementation of the "Urban Solid Waste Management Plan of the Chilibrillo and Nuevo Progreso Communities in the District of Chilibre". Various activities were carried out, including the transformation of three clandestine garbage dumpsites to eco-gardens, solid waste sorting at the household level, collection of 2.3 tons of scrap household appliances and discarded furniture in 6 sectors, five workshops involving 263 residents, and holding 5R's workshops in six schools, involving 187 students, 26 teachers and 20 parents, and the installation of one composting bin per school.

The water and sanitation conditions survey over 295 populated places in the Panama Canal Watershed (CHCP) was conducted, with the Rural Water and Sanitation Information System (SIASAR) methodology, ultimately producing an "intervention strategy" in water and rural sanitation, focused on the sustainability within the Panama Canal Watershed through a non-reimbursable technical cooperation aid from the Inter-American Development Bank (IDB). This project improved the rural aqueducts of the El Cacao, Alto de las Minas, and El Cauchal communities, with the assistance of the Coca-Cola Foundation and the Aliarse Costa Rica Foundation.

Land Registry and Ownership Program

The development of the cadastral program in the Panama Canal Watershed during FY-2023 was chiefly focused on the townships of Santa Clara and Nuevo Emperador, in the district of Arraiján, and on the township of San Juan, in the district of Colón, surveying some 1,297.53 hectares and registering 1,713 properties.

This year, with the registration of title number 10,000, an important milestone was marked for rural communities in terms of land ownership within the Watershed, a fact that demonstrates the project's commitment to these residents, and the trust placed by men and women who for many years longed to acquire ownership of their land.

Table 3. Land Registry and Ownership Program in the Panama Canal Watershed - Fiscal Year 2023

Province	Surveyed Hectares	Properties Plotted	Registered Property Deeds	Benefited Persons (through Property Deeds)
West Panama	1,104.46	407	446	2,230
Colon	193.07	1,306	511	2,555
Total	**1,297.53**	**1,713**	**957**	**4,785**

Water Crisis

Year 2023 brought 30% less rain than usual, which allowed the Canal to store just 50% of the water needed to meet the hydraulic demands for the 2024 dry season. Historical records indicate that this is the second driest of the last 73 years.

The total capacity of both reservoirs is 1,857 cubic hectometers (hm^3), of which 558 hm^3 correspond to Alhajuela and 1,299 hm^3 to Gatun. However, in 2023, only approximately 900 hm^3 were stored, of which just over 500 hm^3 correspond to Alhajuela, reaching capacity, while the remaining 400 hm^3 were stored in the Gatun reservoir.

Multiple factors caused the reservoirs to be at such a dramatic level. The first was an early start of the 2023 dry season and an extension of this period beyond usual. In total, it lasted five and a half months, a period very close to the longest recorded dry season in the Panama Canal Watershed (CHCP) history, which lasted six months.

In addition to the above, on June 8, the National Oceanic and Atmospheric Administration (NOAA) declared the start of the El Niño phenomenon, which worsened the situation of the reservoirs, due to the absence of rain associated to this event.

In 6 of the last 10 years, rainfall recorded in the watershed has been below the historical average, including the second, third, sixth and seventh driest years, as these statistics began to be recorded in 1950.

These are events that —depending on their frequency— have significant consequences on the Panama Canal Watershed, since the aquifers (natural underground formations where water is stored) are not allowed enough time to recharge before another drought occurs, strongly affecting the flow of the rivers that contribute to fill the reservoirs.

The Panama Canal follows the development of this drought in detail and, during the last year, it has implemented permanent water-saving measures in its operations. Usually, such measures are implemented only during the dry season. However, this year it has been necessary to maintain them uninterruptedly.

Below, we highlight the main measures:

- Carry out cross-filling in lockages at Pedro Miguel and Gatun Locks.
- Use of water saving basins (WSBs) in the Neopanamax Locks.
- Restrictions on draft and the maximum number of daily transits.
- Conduct short chamber lockages in the Panamax Locks when vessel dimensions allow it.
- Minimize direction changes at Gatun Locks.
- Control and eliminate water leaks in valves and gates.
- Suspend special lockages (only carried out for operational needs).
- Suspend hydraulic assistance (flushing) during lockages.
- Minimize electricity generation.


View of the low level of the Watershed flow

Corporate Social Responsibility (CSR)

The Corporate Social Responsibility (CSR) of the Panama Canal is aimed at contributing to environmental sustainability, creating value for the organization, and strengthening strategic relationships with stakeholders.

In this sense, initiatives developed this year contributed to promoting human development and environmental awareness, while advancing the accomplishment of the Sustainable Development Goals (SDGs).

Canal volunteers

Strengthening human development

Convinced of the need to join forces to prepare the next generation of citizens, the Panama Canal and strategic allies, continued to develop educational and leadership programs with social awareness. Among them, we can highlight:

Pilando Ando

This program is a collaborative initiative between the Panama Canal Authority and the Ayudinga Foundation, which has proven to be an exceptional catalyst in the education of youth in the field of mathematics through massive, free tutorials that are taught in person.

This year, multiple events took place with the aim of reinforcing, improving and developing knowledge in study techniques, arithmetic, algebra, physics, geometry, among others.

Three days were held in preparation for admission tests at the University of Panama; five days of academic reinforcement for 7th, 8th, 9th and 10th grade students; and 8 days of preparation for admission tests at the Technological University of Panama.

More than 2,000 young people actively participated in all versions of the Pilando Ando program, generating a positive impact among the families of all participants.

Latin American Laboratory for Citizen Action (LLAC, for its acronym in Spanish)

For the fourth consecutive year the Panama Canal, in coordination with local partners developed this initiative to train 150 young people on community action, advocacy, and leadership, with emphasis on the contribution of youth to solve challenges faced by the country and the Canal.

The essence of LLAC lies in the empowerment of young people as agents of change, as they have learned to identify problems in their communities and to design innovative solutions for collective wellbeing.

Relay for Life

Organized by the Fundación Amigos del Niño con Leucemia y Cáncer (FANLYC), this is an event that seeks to raise awareness and support medical treatment for children and young people suffering from leukemia and cancer. It is a competition where the Panama Canal team, through hundreds of volunteers, obtains an outstanding participation in the top 10 with the most circuits walked in favor of Panamanian children.

Good Deeds Day

On April 15, 2023, Good Deeds Day, the Panama Canal joined the Autism Wave Foundation for the well-being of children. Accompanied by volunteer tutors, fifty children with autism spectrum disorder (ASD) participated in an art workshop, storytelling, and a fun visit to the Biomuseo in Amador. The objective of Good Deeds Day is to encourage more and more people to enjoy doing good and promote volunteering as a means of spreading the spirit of joy.

Waves that Soothe

In February, the Canal de Panamá and its volunteers supported the "Soothing Waves" camp, organized by the Autism Wave Foundation, to benefit children with special educational needs. The objective is to stimulate positive energy in children, who come into contact with the waves, surfing and movement that provide release of sensory charges.

Ambassadors of Illusion

This is an activity in which corporate volunteers leave a positive mark on communities in the Canal watershed at Christmas and New Year's time. As part of the activity, there is entertainment games are played, and talks are offered on environmental education, recycling, values, first aid, and other relevant topics. Sometimes, the activity includes making improvements to school or community infrastructures.

Comprehensive infrastructure improvements

Corporate volunteers made comprehensive improvements to two educational centers this year: in the Nuestra Señora de Fátima School in Capira, and Omar Torrijos Herrera Institute, in Ancón, benefiting hundreds of students.

Canal volunteers participate in school programs in the Watershed

In harmony with our environment

In the Panama Canal, initiatives are also being carried out that arise from the conviction about the need to take care of the planet and nature. For this reason, we worked to integrate development with environmental awareness, and to establish alliances to promote sustainable growth. Below, we highlight the most relevant ones:


Beach cleaning

Earth Hour

This year, the CSR team designed and executed a brand-new program called the Music for the Planet Festival, a celebration that each year brings together thousands of people on the steps of the Panama Canal Administration building in order to highlight the value of the Earth, and characterized by the voluntary participation of more than a hundred amateur and professional music artists.

During the festival, various activities were carried out to promote environmental care, such as Reciclatón, Casa Espacio Canal, Círculo de Emprendedores (workshops for emerging businesses), cycling clinics for children and pet adoption.

Earth day

On April 22, 2023, Earth Day was celebrated, a global day to raise awareness about the importance of protecting the environment. This year's theme was "Investing in Our Planet," and the goal was to call for action to address the environmental challenges facing Earth.

During this event, in addition to the music festival, the Panama Canal also organized a series of educational and environmental outreach activities. These activities included talks, workshops, and exhibitions on topics such as biodiversity conservation, water management and climate change.

Reforestation

On September 2, 2023, the reforestation initiative was carried out between the volunteers of the Panama Canal and Bladex within the Panama Canal Watershed.

During the activity, trees of native species were planted, to restore the ecosystem and promote the biodiversity of the region. This reforestation activity aimed to revitalize one hectare of land where a total of 1,200 trees were planted in the canal area.

Cleaning of beaches, coasts and rivers

On September 10, 2023, the CSR team, together with corporate volunteers, joined the XXXII National Cleanup of Beaches, Coasts and Rivers, an activity that is carried out worldwide in September as it is the Month of the Oceans.

This activity has a positive impact on environmental conservation, protection of marine life, water quality and environmental awareness. In addition, it promotes community participation and contributes to the achievement of Sustainable Development Goals at a local and global level.

Rescue of homeless animals

Rescate Canalero is a team of volunteer employees who rescue dogs, cats and other animals that are homeless and wander through the Canal's operational areas. The team rescues, manages appropriate veterinary care and the adoption of the animals.

With this action, they perform a social service to the community, promoting awareness and education about the rights and well-being of homeless animals. This year, they performed more than 200 hours of volunteer service, in 21 rescue and medical care activities, and achieved the adoption of 56 dogs and cats.

Pet adoption program

Corporative volunteering

The annual results of the Corporate Volunteering program are shown below:

Volunteering in figures

Total accumulated hours from 2008 to 2023: 226,000

Volunteer days carried out: 78

FY 2023 hours: 12,200

Alliances for CSR initiatives: 80

Registered volunteers by 2023: 4,620

Beneficiaries: more than 22,000 people

Launching of the campaign **Orgullosos de ser de aquí mismo**

Pride for Panama

In commemoration of its 109th anniversary, on August 15, 2023, the Panama Canal unveiled its institutional campaign: **Orgullosos de ser de aquí mismo**, which highlights the value of Panamanians as promoters of progress and managers of national challenges, many of them related to the interoceanic waterway.

For 2023, the activities to commemorate the anniversary emphasized the current situation of the Canal, given the scarcity of rainfall and climate variability, and focusing on protecting the Panama Canal Watershed.

Casa Espacio Canal exhibition

A space for everyone

From January to September 2023, the Canal presented the traveling exhibition Casa Espacio Canal, an interactive site that provides updated information about the interoceanic waterway.

Casa Espacio Canal toured the most important points of Panama, so that people of all ages (especially children and adolescents) could learn more about the interoceanic waterway. In total, more than 116.000 people benefited from this educational project.

In addition, the Canal Administrator and official spokespersons visited media, schools, universities, and social organizations in each region to provide updates on the waterway and its impact on Panama's socioeconomic development.


The Administrator visited several universities of the country

Operations Performance

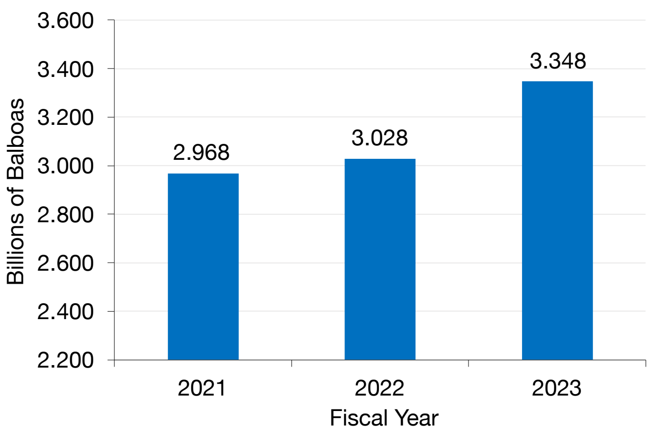
The Canal and its Operations

At the end of the fiscal year, the Panama Canal recorded 511.1 million PC/UMS tons, a 1.5% decrease compared to the tonnage of the previous fiscal year. Toll revenues totaled B/.3,348.4 million: a 10.6% increase.

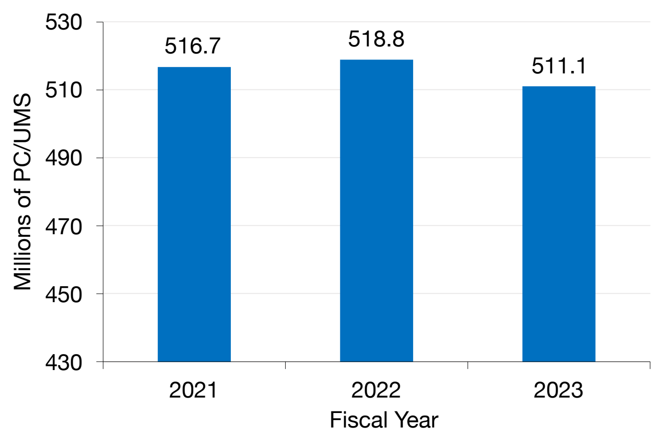
The segments that accounted for this tonnage decrease were the container ship segment, recording a 1.9% decrease at 192.7M (million) PC/UMS tons, followed by bulk carriers, recording a 11.8% decrease at 74.5M PC/UMS tons. On the other hand, the LPG (liquefied petroleum gas) segment recorded a 17.4% increase, at 64.9M PC/UMS tons compared to FY 2022.

Around 72.5% of the cargo transiting the Canal originates or is bound for the United States, mainly from and to the East Coast and ports located in the Gulf of Mexico. Containers, grain and energy traffic are the main products that use the Canal route.

Graph 3. Toll Revenue



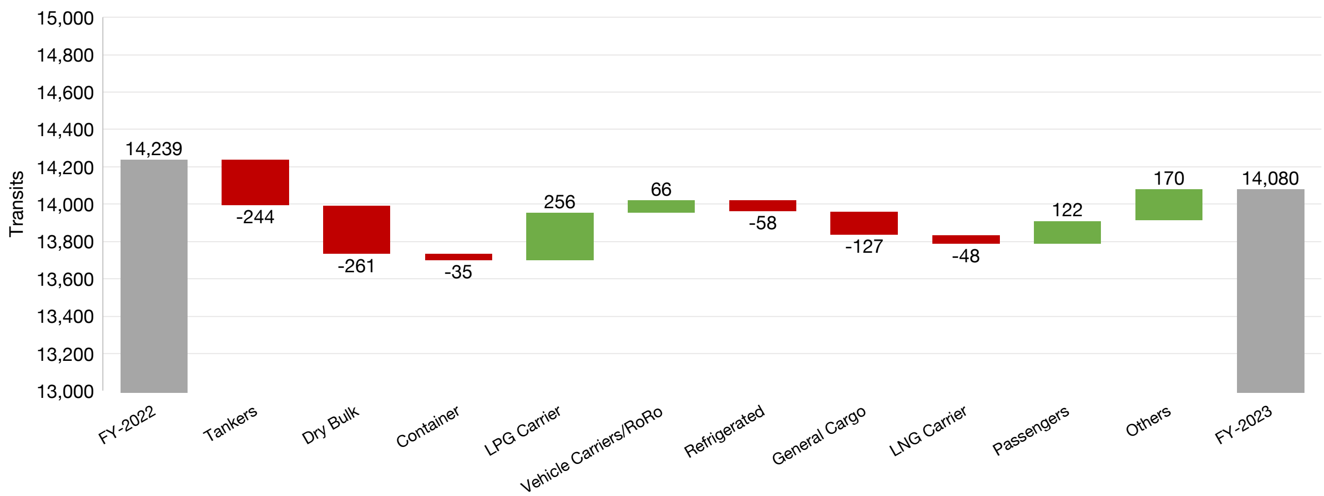
Graph 4. Vessel Tonnage



Panama Canal pilot

The Neopanamax Locks recorded 53.7% of the total PC/UMS tonnage, where the main segments were container ships, liquefied petroleum gas (LPG) and liquefied natural gas (LNG). Transits totaled 14,080, a 1.1% decrease compared to the previous fiscal year. A lower number of bulk carrier transits (-261), tankers and chemical tankers (-244) stands out, as well as an increase in liquefied petroleum gas vessels transits (256) and passengers vessels (122) compared to the previous year.

Graph 5. Variation of the Amount of Transits per Market Segment FY 2022 vs. FY 2023



The amount of transits per market segment is detailed below.

Graph 6. Transits per Market Segment

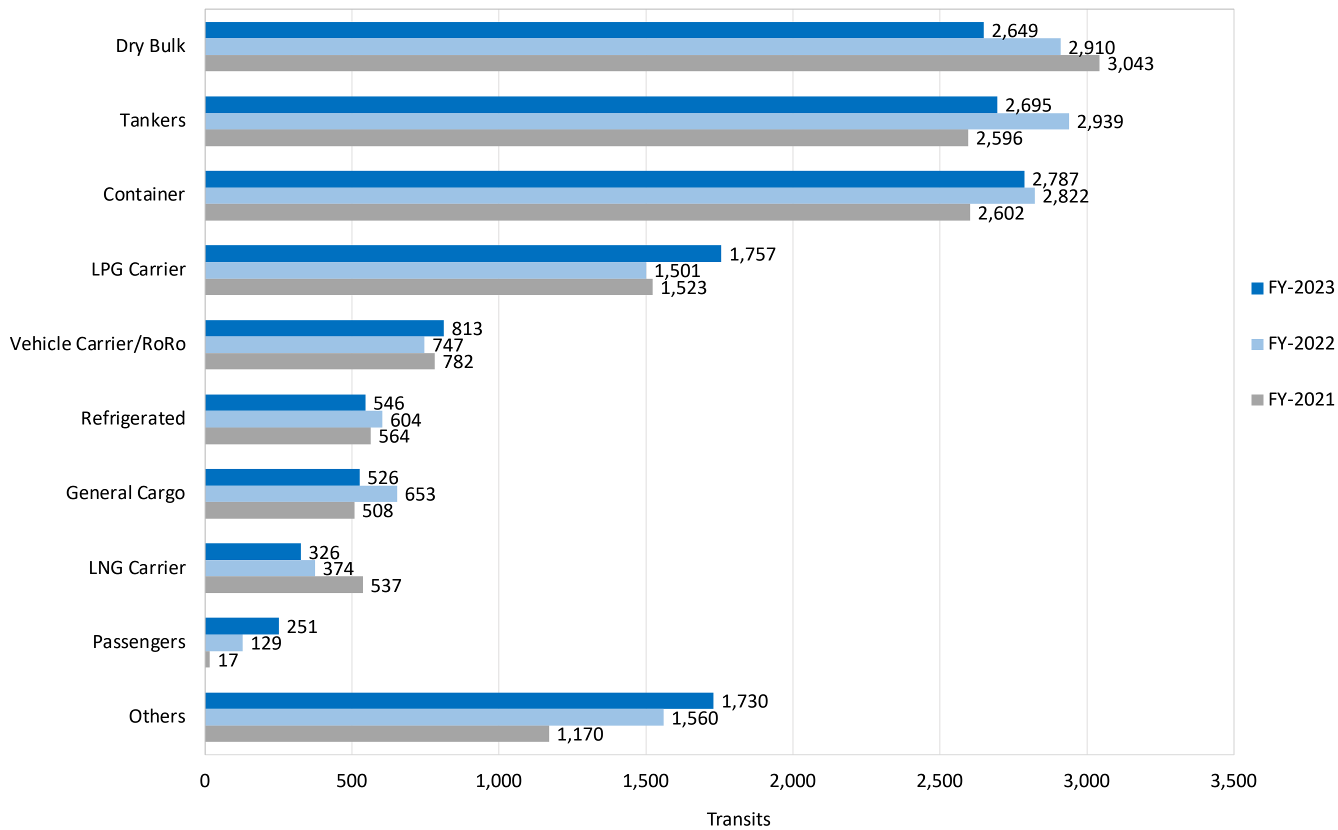


Table 4. Ranking of Countries by Origin and Destination of Cargo (Long Tons) FY-2023

Rank	Country	Origin	Destiny	Intercoastal	Total
1	United States	137,511,707	68,732,671	2,554,991	208,799,369
2	China	25,031,640	39,324,617	-	64,356,257
3	Japan	7,240,960	34,023,773	-	41,264,733
4	South Corea	12,131,413	15,744,007	-	27,875,420
5	Chile	12,877,519	14,600,343	-	27,477,861
6	Mexico	7,906,184	15,890,456	600,143	24,396,782
7	Peru	8,948,850	10,783,032	-	19,731,883
8	Colombia	9,470,511	6,919,914	468,814	16,859,238
9	Ecuador	5,578,278	8,380,076	-	13,958,353
10	Panama	2,130,234	10,469,968	130,576	12,730,778
11	Canada	8,583,840	2,931,550	44,531	11,559,921
12	Guatemala	1,595,965	7,232,394	-	8,828,360
13	Taiwan	3,095,225	3,687,788	-	6,783,013
14	Spain	2,683,823	2,610,912	-	5,294,735
15	Trinidad and Tobago	4,389,820	460,086	-	4,849,906
16	Russia	2,486,213	2,133,353	23,326	4,642,892
17	Holland (Netherlands)	1,472,974	3,088,425	-	4,561,399
18	Brazil	3,354,790	1,123,224	-	4,478,013
19	Australia	2,241,286	1,239,236	-	3,480,522
20	El Salvador	330,769	3,052,099	-	3,382,868

Table 5. Main Commodities (Long Tons)

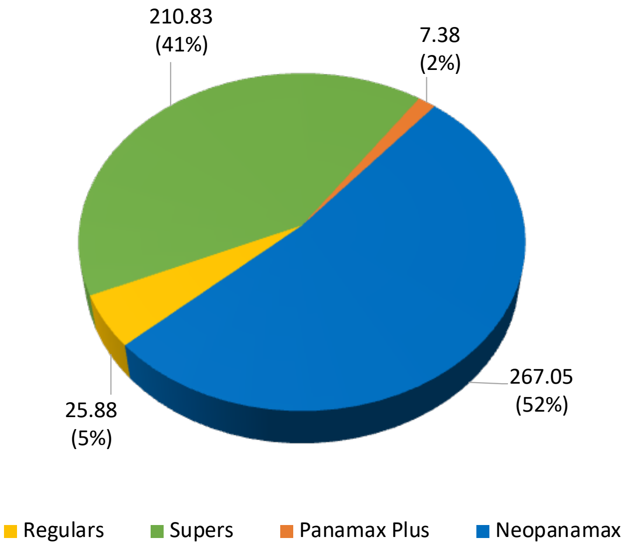
Commodity	FY-2021	FY-2022	FY-2023
Crude Petroleum	7,267,130	7,182,687	3,380,097
Petroleum products	80,807,113	87,080,027	86,324,552
Grain:	44,340,519	38,387,169	35,819,428
Corn	9,625,617	8,788,082	7,988,837
Soybeans	17,164,407	15,082,082	15,548,389
Sorghum	7,172,037	4,898,404	3,003,457
Wheat	3,585,049	2,311,041	2,549,926
Grain, Misc.	6,793,409	7,307,560	6,728,819
Coal and Coke (Excl. Petroleum Coke)	13,611,901	15,077,706	13,805,760
Container Cargo	65,402,370	64,405,738	63,019,416
Autos, trucks, accessories and parts	5,694,264	5,786,654	6,009,028
Canned and refrigerated foods	1,727,891	1,441,313	437,933
Nitrates, phosphates and potash	9,845,160	8,820,764	9,422,778
Lumber and products	2,443,783	2,655,492	2,282,621
Manufactures of iron and steel	7,675,664	7,404,296	8,913,129
Chemicals and petroleum chemicals	16,201,363	16,493,720	17,201,879
Ores and Metals	10,977,024	12,463,460	10,906,600
Subtotal	**265,994,182**	**267,199,026**	**257,523,221**
Others	25,750,956	26,889,032	28,256,568
Total	**291,745,138**	**294,088,058**	**285,779,789**

NOTE: Statistics updated as of October 2023. Adjustments during the fiscal year are included.

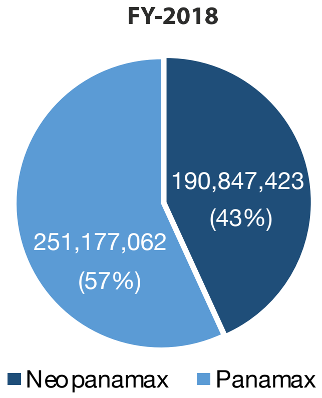
Container vessel transits through Cocolí Locks

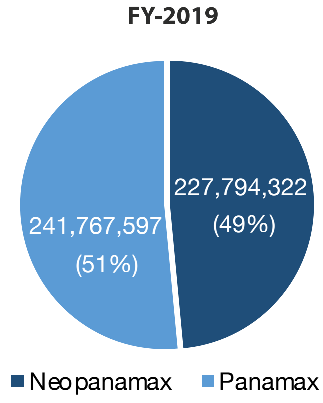
Of the 511.1 million PC/UMS tons in total, 52% corresponds to Neopanamax vessels, 41% to Super Panamax vessels, 5% to Regular Panamax vessels and 2% to Panamax Plus vessels.

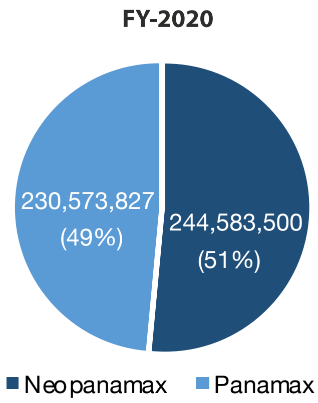
Graph 7. PC/UMS Tons per Vessel Size (Million)

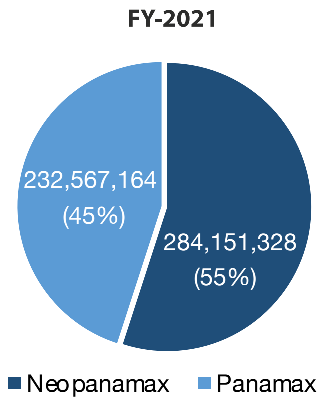


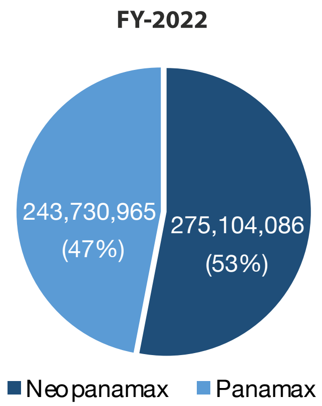
Graph 8. Evolution of PC/UMS Tonnage per Locks (FY 2018 – FY 2023)

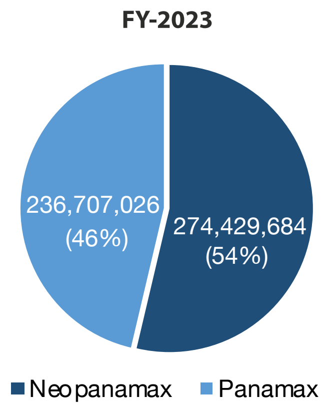




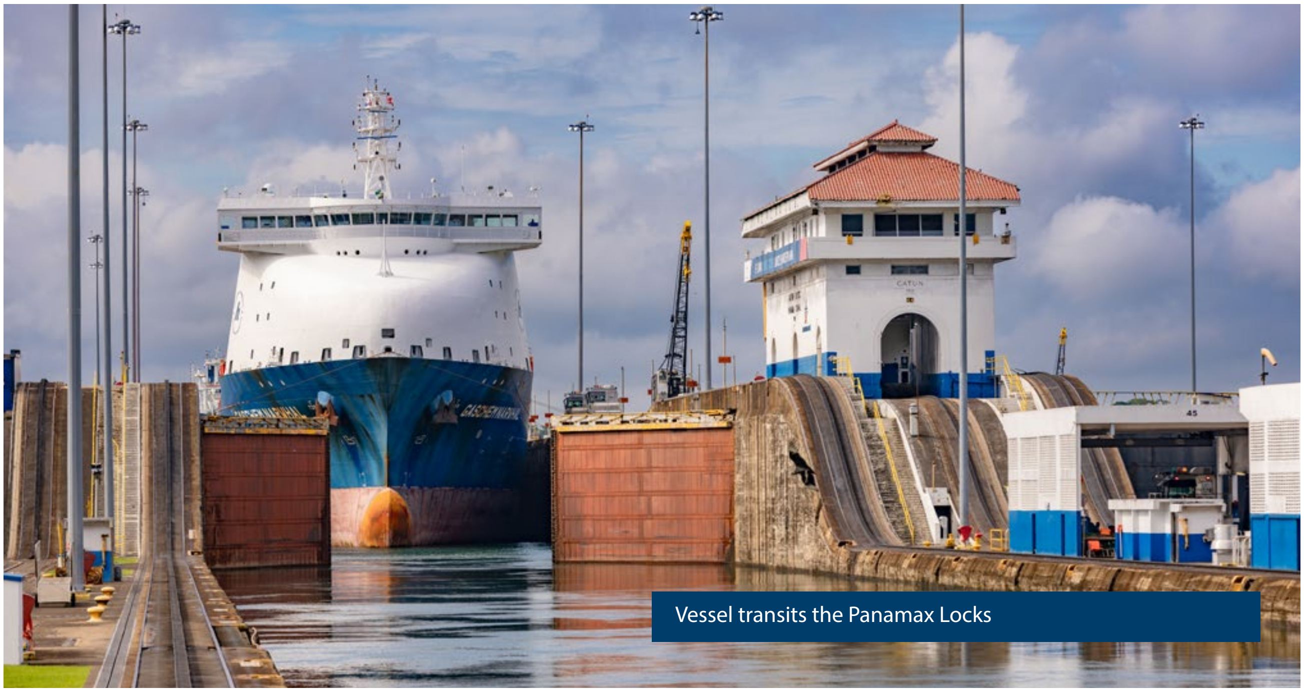








NOTE: Statistics updated as of October 2023. Adjustments during the fiscal year are included.

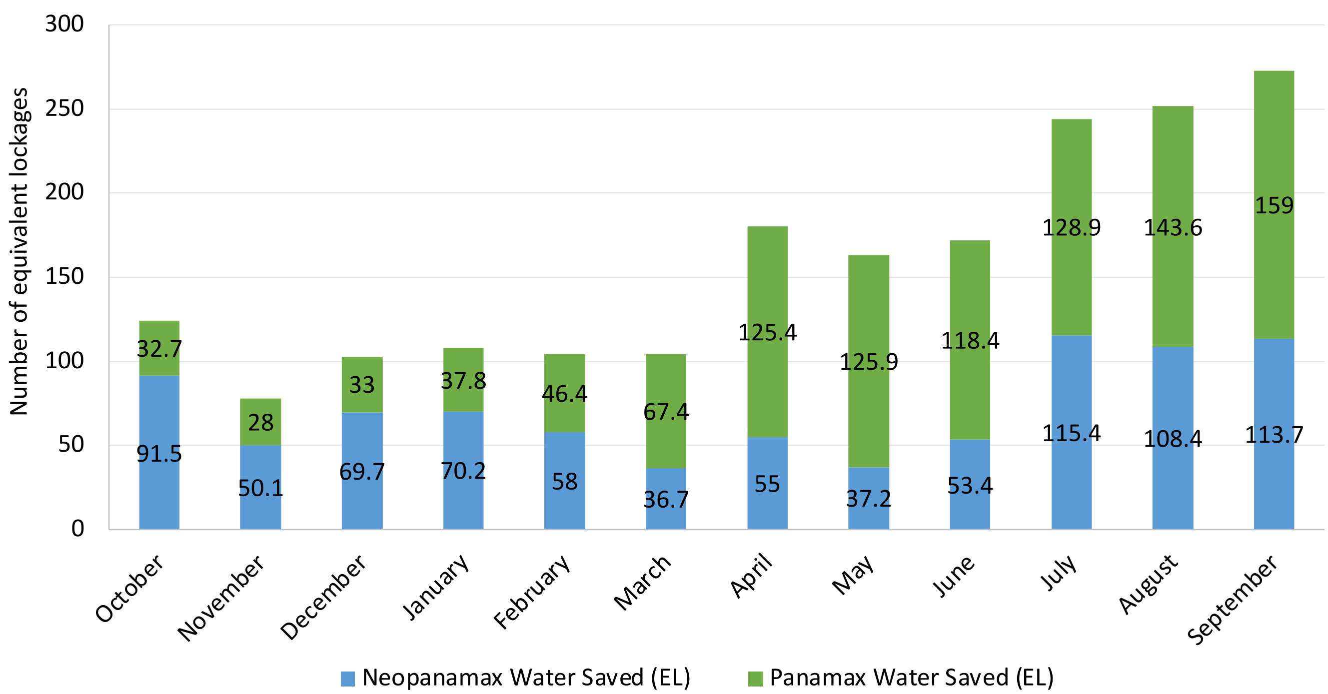


Vessel transits the Panamax Locks

Water savings in Panamax and Neopanamax locks

In the Panamax locks, cross lockage produced significant increases in the amount of equivalent lockages saved, as can be seen in the graph, with lockages doubling and tripling the amounts observed in the first half of the year, for a total of 1,046.5 locks saved. In the Neopanamax locks using the tubs, 859.3 equivalent lockages were saved. The total volume of water saved between the Panamax and Neopanamax locks was 1,905.8 lock equivalents.

Graph 9. Number of equivalent lockages saved



Financial Performance

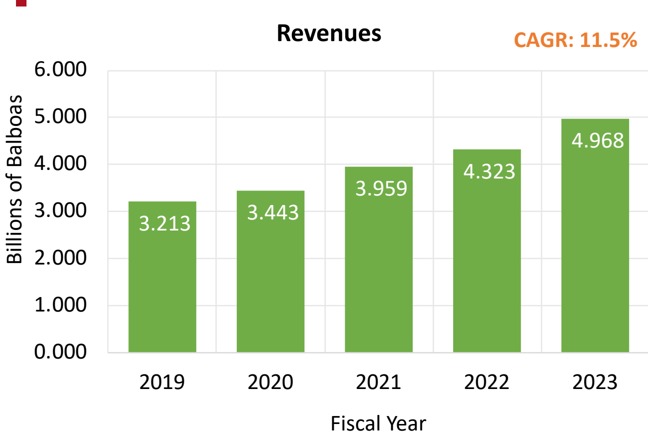
Tugboats assist a vessel entering the Cocolí Locks

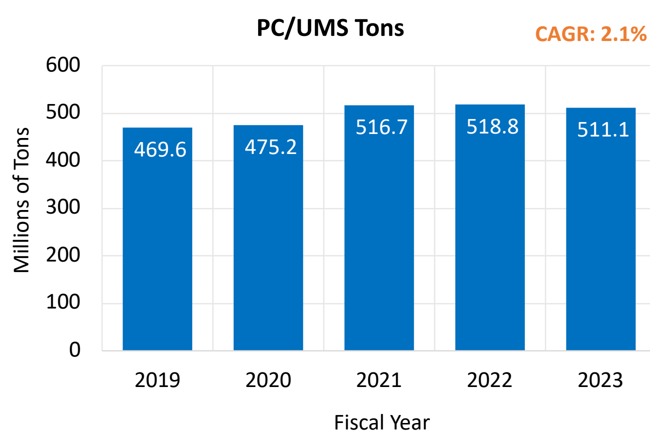
The Panama Canal's financial performance for fiscal year 2023 demonstrated strong revenue growth, an increase in profitability margins, efficiency, productivity, and a decrease in leverage, despite the economic impact of the Russian-Ukraine conflict and the reduction in daily transits caused by low Gatun Lake levels due to the El Niño phenomenon. Growth and robust financial results are based on a conservative institutional framework, and transparent, autonomous, and prudent governance, which aims towards sustainable growth with a long-term outlook.

The Canal concluded fiscal year 2023 with B/.4.968 billion in revenues, B/.645 million or 14.9% more than fiscal year 2022. Since fiscal year 2019, Canal revenues and tonnage increased at a compound annual growth rate (CAGR)[1] of 11.5% and 2.1%, respectively.

The fiscal year 2023's revenue growth was due to additional auctions and the new toll price structure implemented in January 2023.

Graph 10. Total Revenues and Tonnage of the Panama Canal



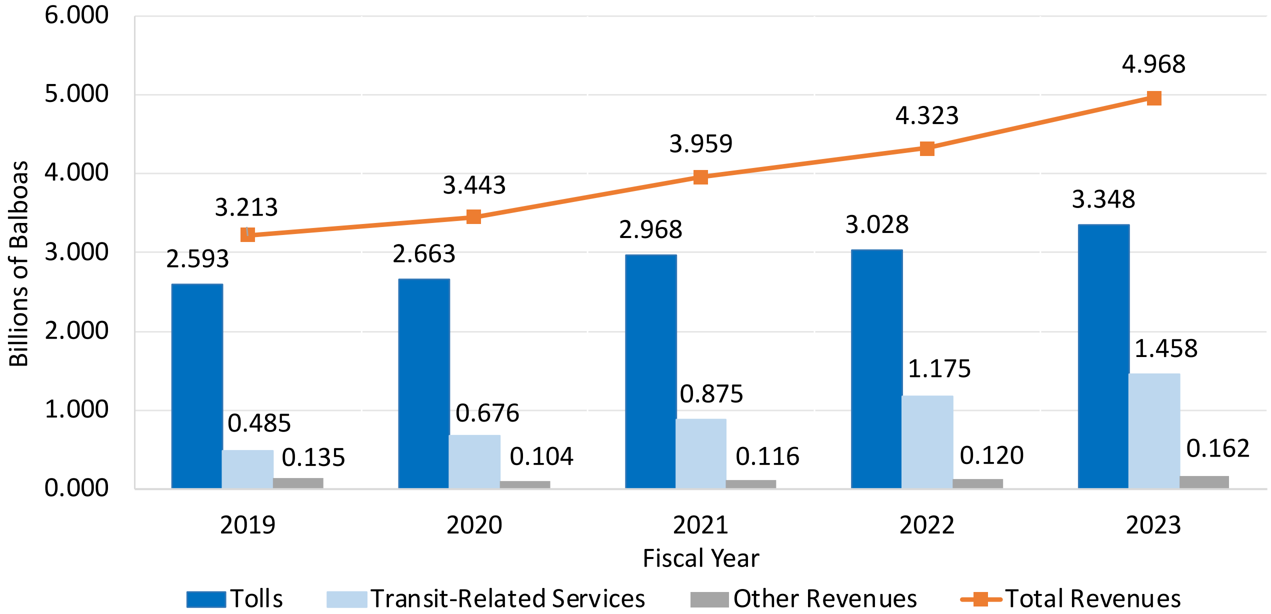


[1] CAGR: is a measure used specifically in business and investing contexts that determines growth rate over multiple periods.

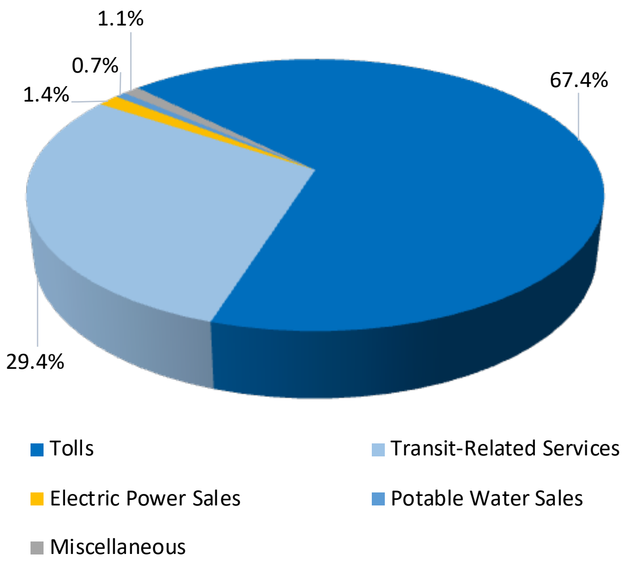
Statement of Financial Results

Revenues

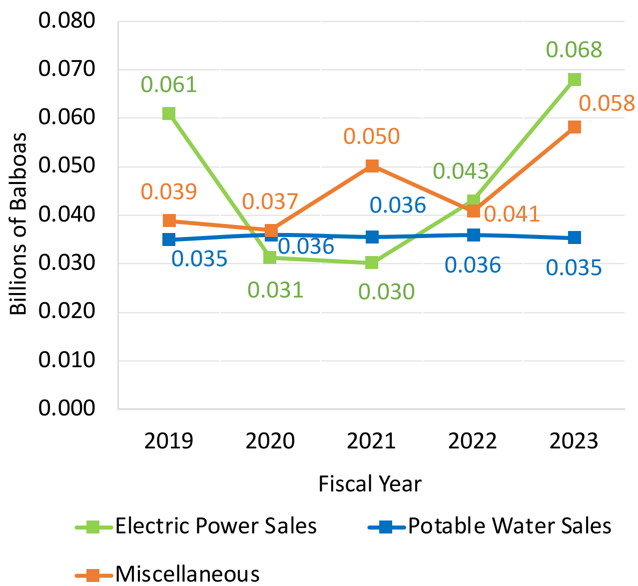
Graph 11. Total Revenues



Graph 12. Revenue Distribution



Graph 13. Other Revenues

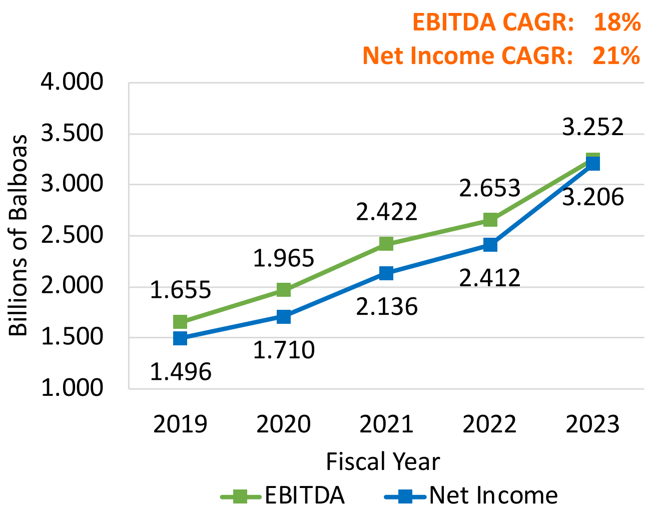


Expenses

At the end of fiscal year 2023, the Canal reported B/.1.958 billion in operating expenses[2], representing 39.4% of total revenues. In addition, there was a 0.2% increase in the net ton fee, in line with the growth in transited TEU. Compared to fiscal year 2022, operating expenses increased 3.2%.

Net Earnings

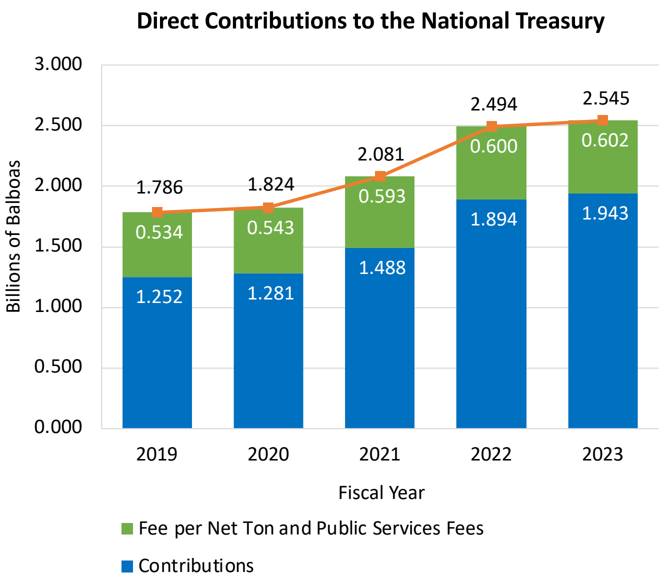
Graph 14. EBITDA & Net Income Performance

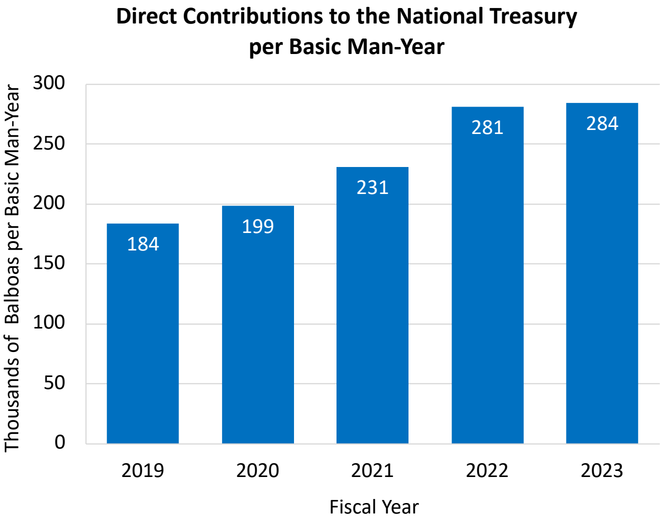


Boat operator

Growth in Direct Contributions to the National Treasury

Graph 15. Direct Contributions to the National Treasury





[2] Operating expenses include salaries and wages, employee benefits, materials and supplies, fuel, depreciation and impairment loss, fee per net ton, fees paid to the Panamanian Treasury, and all the other expenses.

Indirect Contributions to Other Public Entities

At the end of fiscal year 2023, indirect contributions to the National Treasury, through other public entities, reached B/.257 million: a B/.19 million increase from fiscal year 2022. These contributions included B/.139 million, B/.105 million, and B/.13 million in Social Security Fund, income tax, and educational insurance tax, respectively.

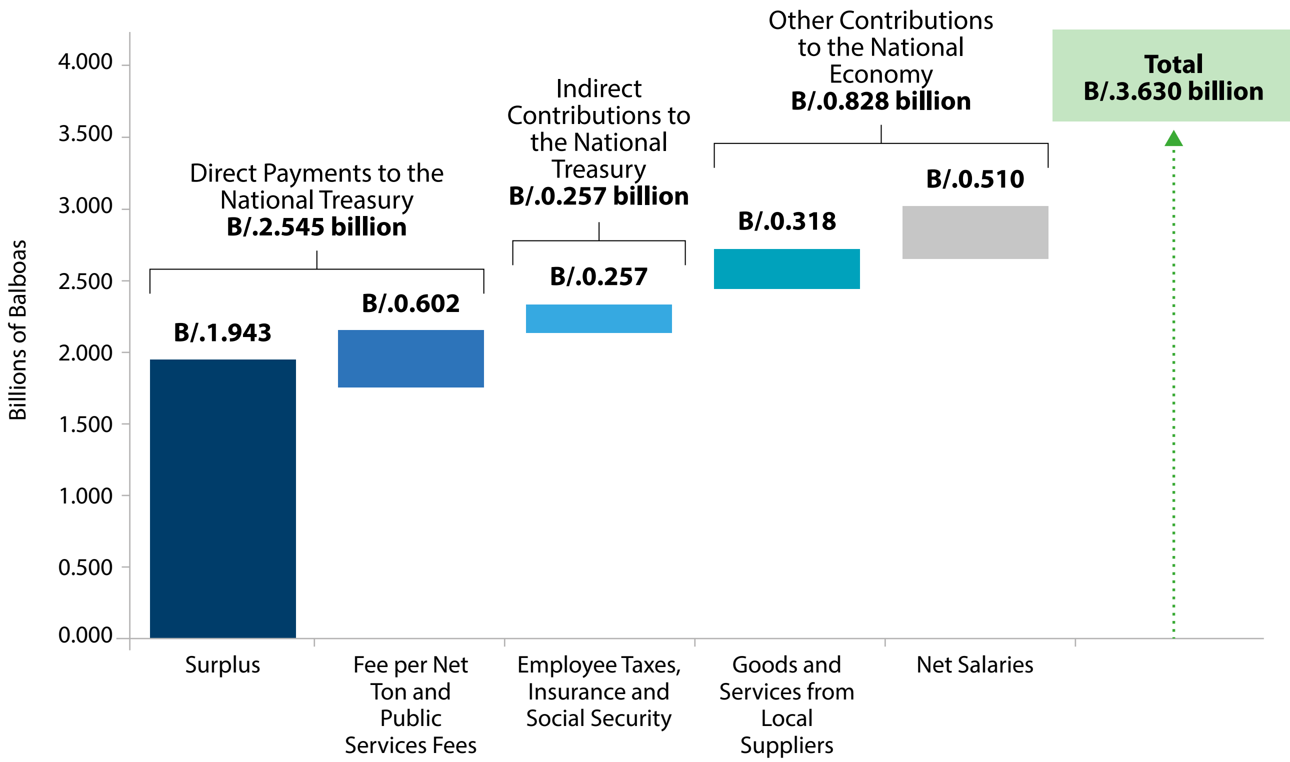
Vessel at the entrance of the Panama Canal (Pacific)

Other Indirect Contributions to the National Economy

In fiscal year 2023, the Panama Canal indirectly contributed a total of B/.828 million to the National economy, due to the disbursement of B/.510 million in net salaries, as well as B/.318 million in local purchases of goods and services, and payment to local suppliers, as part of the annual equipment and infrastructure investments.

At the end of fiscal year 2023, despite the economic impact of the Russian-Ukraine conflict and the reduction in daily transits caused by low Gatun Lake levels due to the El Niño phenomenon, the Canal provided record-breaking direct and indirect economic contributions of B/.3.630 billion to the national economy.

Graph 16. Panama Canal Impact on the National Economy

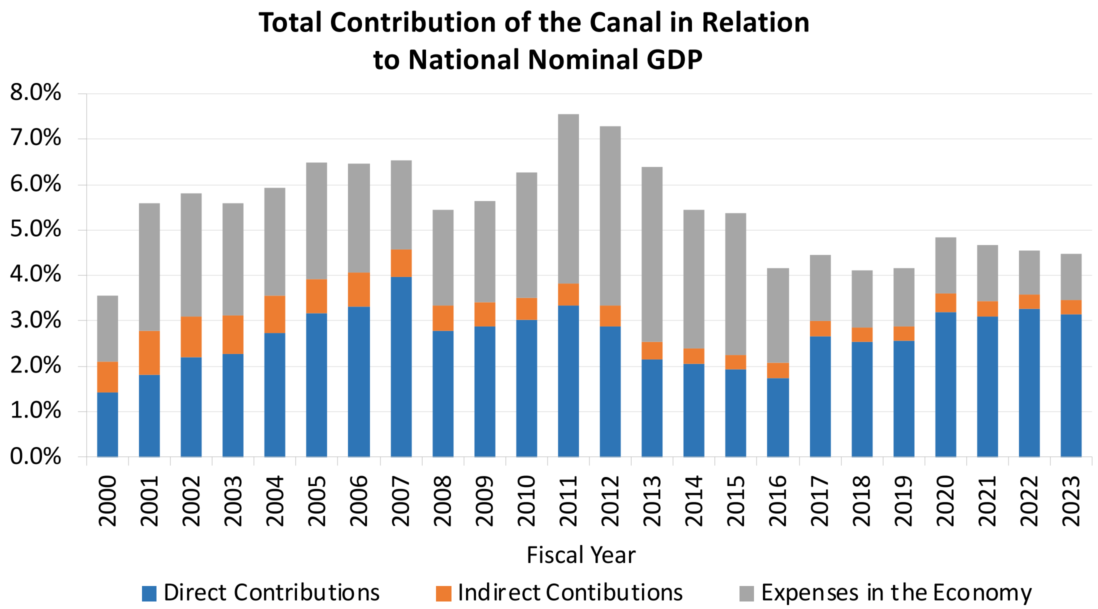


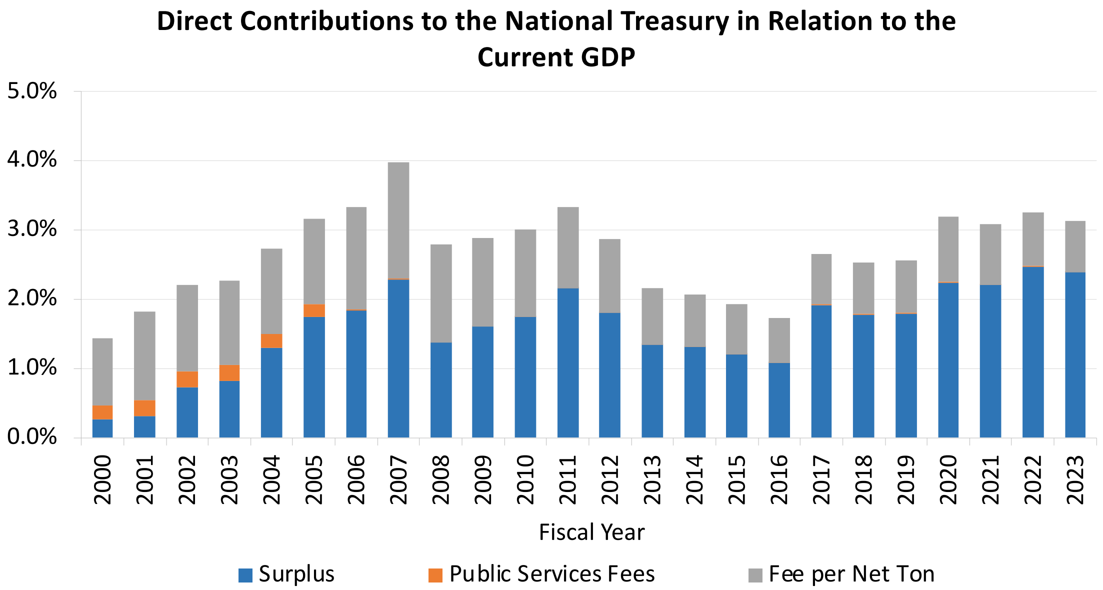
Direct Contributions to the National Economy Relative to the Gross Domestic Product (GDP)

In fiscal year 2023, estimated Panama Canal direct contributions were 3.1% in relation to the Gross Domestic Product (GDP), including the indirect contributions and the expenses in the local economy; direct and indirect contributions represent an estimated 4.5% of the GDP.

It should be noted that, according to studies conducted on the Canal's contribution to the country's economy, it has been identified that there is a multiplying effect on these contributions, and for fiscal year 2023, it is estimated that there is an additional 1.3%. Therefore, the Canal's total contribution accounts for an estimated 5.8% of the GDP.

Graph 17. Panama Canal Impact on the National Economy in Relation to the National Nominal GDP



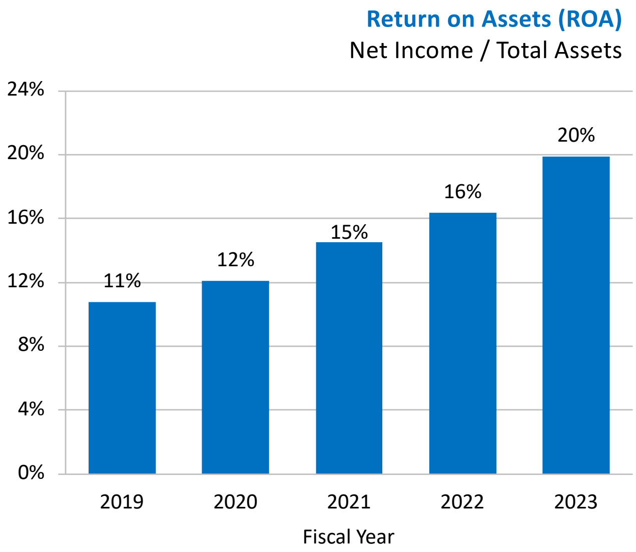


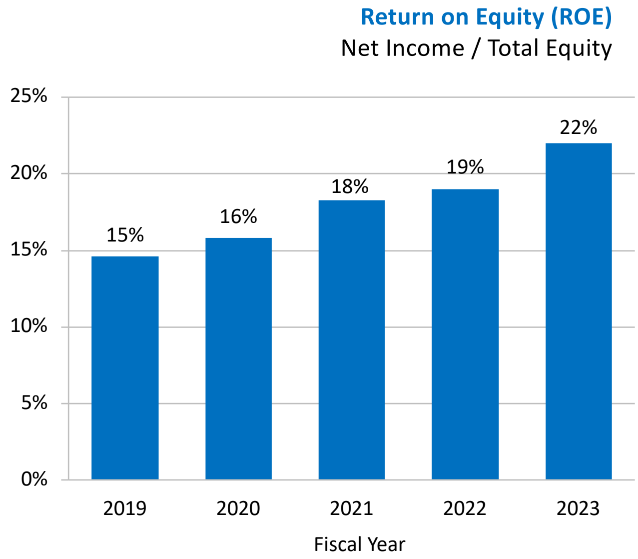
NOTE: GDP for 2023 is estimated.
Source: Instituto Nacional de Estadística y Censo.

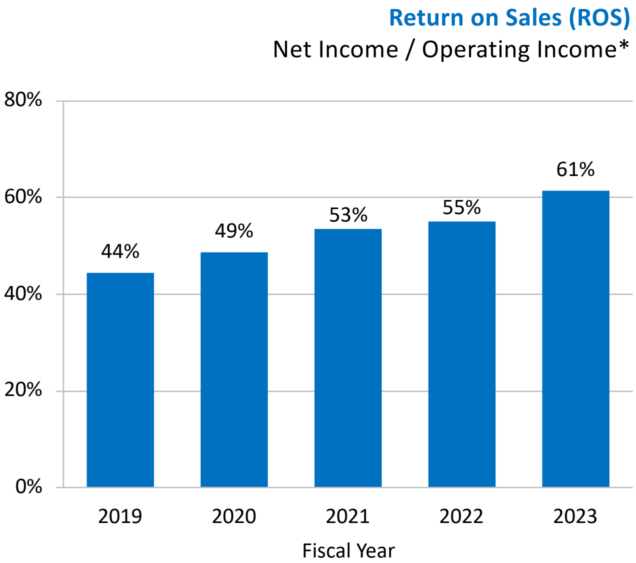
Financial Performance of the Panama Canal

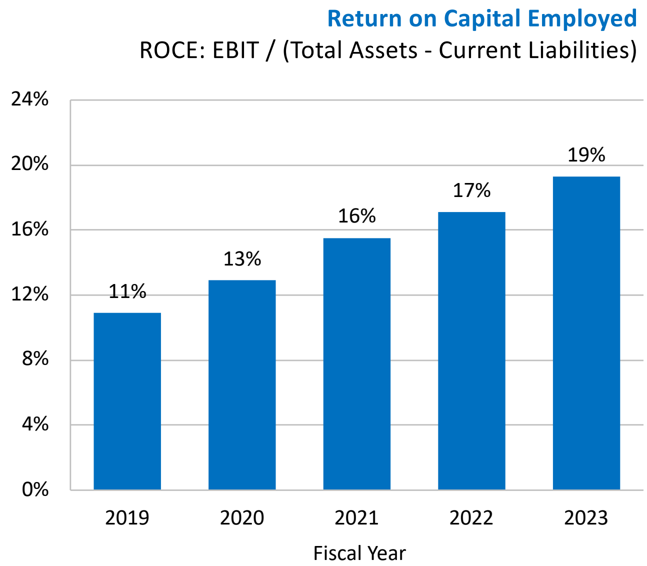
For fiscal year 2023, the profitability analysis shows solid financial performance, reporting a profit margin of 61 cents per balboa of revenue (ROS), a return on capital employed (ROCE) of 19%, return on assets (ROA) of 20%, and return on equity (ROE) of 22%, validating the Canal's capacity to create economic value on a sustainable basis.

Graph 18. Financial Performance









*Includes Finance Income

Credit Ratings and Financial Strength Summary

In October 2022, Moody's reiterated the rating of the Panama Canal to A2 and changed the outlook from stable to negative, maintaining it three notches above the national rating. This outlook reflects the Panamanian Government's outlook change to negative. The outlook is understood as a potential rating change in the short or medium term if there is a deterioration in the scenario on which the national rating is based. The outlook's improvement or deterioration is subject to the Government's stabilization actions or lack thereof.

Considering the negative outlook, a rating upgrade on the Panama Canal is unlikely in the near future. The rating outlook could return to stable if the Panamanian Government's rating outlook improves.

The Canal's credit rating is based on the solid institutional legal framework, corporate governance, and international treaties that ensure its uninterrupted operation. The rating reflects the long operational history free of political interference, which is expected to continue, given the solid corporate governance, policies, and regulations that ensure prudent and profitable business management practices.

Among the factors that represent challenges for the Canal are climate change concerns and water management risks that could affect its performance.

S&P Global assigned an A- rating to the Canal and maintained a negative outlook in July 2023, placing it two notches above the national rating. The strengths identified by the agency emphasize the excellent competitive position of the Panama Canal as the most favorable option for strategic routes, especially with high fuel prices and freight costs.

The legal and regulatory framework and the establishment of the company under the Constitutional Title of the Republic of Panama are the backbone of its stability.

Table 6. Panama Canal Credit Ratings

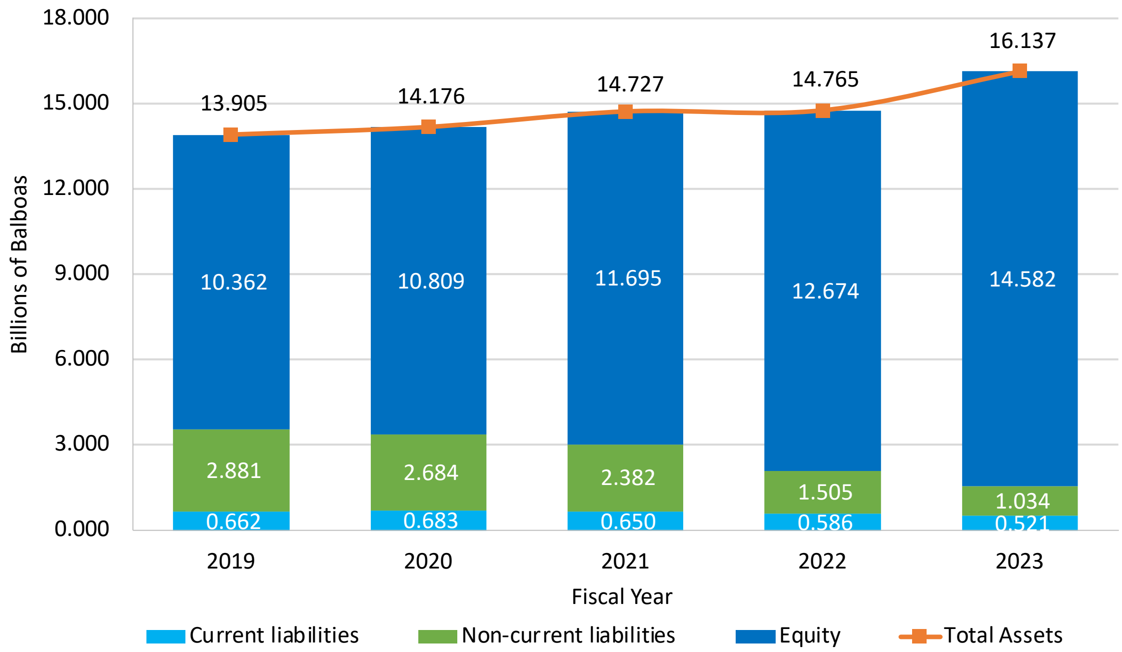
Rating Agency	Rating	Outlook	Date
Moody's	A2	Negative	Oct. 2022
S&P Global	A	Negative	Jul. 2023

Vessel at the entrance of the Panama Canal (Atlantic)

Balance Sheet

Canal assets amounted to B/.16.137 billion, B/.1.372 billion or 9.3% over fiscal year 2022, which consist of B/.6.424 billion and B/.9.713 billion of current and non-current assets, respectively. On the other hand, equity and liabilities totaled B/.14.582 billion and B/.1.555 billion, respectively.

Graph 19. Assets, Liabilities and Equity

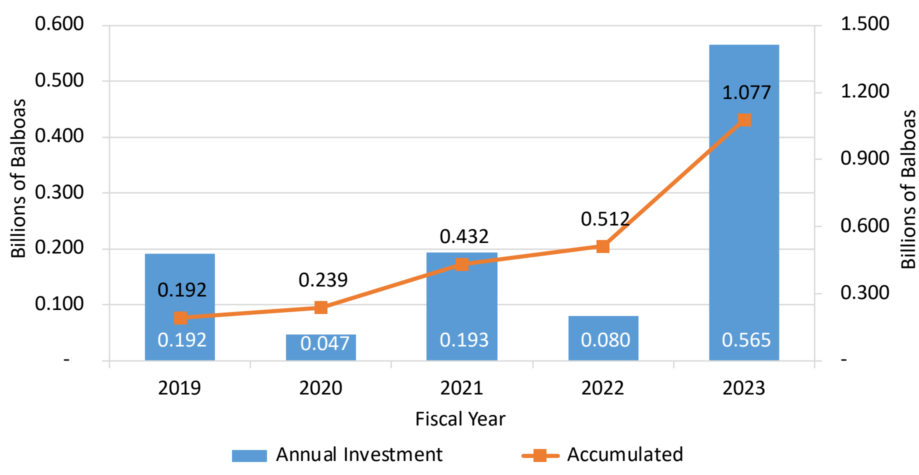


Capital Investment Program

The capital investment program for fiscal year 2023 consisted of 150 projects, with a total expense of B/.0.565 billion, intended to:

1. Increase the Canal's operation efficiency.
2. Maintain the Canal's reliability.
3. Improve the electrical power system's reliability.
4. Protect water quality in the Panama Canal Watershed.
5. Maintain the Panama Canal Watershed's water resource sustainability.

Graph 20. Regular Investment Program Expenses



Appendix: Audited Financial Statements

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

Financial Statements

September 30, 2023

(With Independent Auditors' Report thereon)

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

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INDEPENDENT AUDITORS´ REPORT

To the Board of Directors
Autoridad del Canal de Panamá

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Autoridad del Canal de Panamá, (hereinafter, "ACP"), which comprise the statement of financial position as of September 30, 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ACP as of September 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 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 period. 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.

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

The key audit matter	How the matter was addressed in our audit
Contingencies from contractor' claims are considered as a key audit matter, because of the assessment of provisions and contingencies, which requires significant judgments and analysis by management. Contingencies for one arbitration claim with a contractor amounted to B/.3,568 million.	Our procedures in this area included: We assessed, with the assistance of our own legal specialists, the available evidence obtained and conclusions reached for each claim by management and its legal counsel. We carried out confirmation procedures with internal and external legal counsel of ACP and we assessed the adequacy of disclosures.

Property, plant, and equipment, net
See Notes 3 (g) and 5 to the financial statements

The key audit matter	How the matter was addressed in our audit
ACP is the owner of the Canal facilities, buildings, structures and equipment required to operate the Panama Canal. Property, plant, and equipment (PPE) are considered a key audit matter for their high transactional volume that involves the assessment of capitalization of additions, designation of useful lives and judgment applied in the estimation of impairment losses based on the value in use of PPE. The carrying value of PPE is B/.9,232 million, representing 57% of the total assets of ACP.	We obtained an understanding and test the operational effectiveness of controls on the additions of PPE. We obtained an understanding of how ACP determines the useful life and residual value of each class of PPE and assessed reasonableness of such determination. We performed test of additions of PPE during the year through selective sampling, and we inspected relevant documentation such as invoices, bank transfers and reports of staff assigned to construction in progress to assess whether the additions have been capitalized in accordance with IFRS Accounting Standards. We selectively visited and inspected actual PPE. We assessed, with the assistance of our own valuation specialists, the impairment assessment carried out by ACP on PPE to determine its reasonableness, including the methodology applied.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Accounting Standards, 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 ACP's 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 ACP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ACP's 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 ACP's 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 ACP's 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 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.

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.

Report on Other Legal Requirements

In compliance with Law 280 of December 30, 2021, which regulates the certified public accounting profession in the Republic of Panama, we declare the following:

- That the direction, execution and supervision of this audit engagement has been physically performed in the Panamanian territory.

- The partner in charge of the audit who has prepared this independent auditors' report is Luis G. Venegas R.

- The engagement team that has participated in the audit to which this report refers to, is formed by Luis G. Venegas R., Partner, and Carmen Caballero, Manager.

KPMG

Panama, Republic of Panama
December 15, 2023

Luis G. Venegas R.
Partner
C.P.A 0215-2012

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

Statement of Financial Position

September 30, 2023

(In thousands of balboas B/.)

	Note	2023	2022
Assets:			
Non-current assets:			
Property, plant and equipment:			
Property, plant and equipment, net		9,123,105	8,226,660
Constructions in progress		108,925	105,200
Total property, plant and equipment, net	5	9,232,030	8,331,860
Investment properties	6	99,439	92,848
Reimbursement right of ACP	25	293,888	285,453
Inventories, net	7	76,156	65,696
Right-of-use assets	27	11,770	8,020
Total non-current assets		9,713,283	8,783,877
Current assets:			
Inventories	7	12,121	11,967
Investment securities and other financial assets	9, 26	5,931,121	5,802,739
Accrued interest receivable	10	20,795	4,358
Trade and other receivables	8, 26, 28	49,910	21,228
Other assets		12,366	3,098
Cash and cash equivalents	11, 26	397,745	137,932
Total current assets		6,424,058	5,981,322
Total assets		16,137,341	14,765,199

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

	Note	2023	2022
Equity and liabilities:			
Equity:			
Contributed capital	5, 12	2,474,422	1,906,132
Investment program contributions	13	7,390,362	6,653,996
Reserves	13	2,773,387	2,246,745
Other equity accounts	14	922	(27,065)
Earnings available for distribution	15, 32	1,942,705	1,894,000
Total equity		14,581,798	12,673,808
Non-current liabilities:			
Borrowings and debt, net	16, 17, 26	723,312	1,200,490
Employee benefits	25	303,196	294,281
Lease liabilities	26, 27	7,925	3,811
Other financial liabilities	18, 26	0	6,326
Total non-current liabilities		1,034,433	1,504,908
Current liabilities:			
Provision for marine accidents	19	30,182	18,498
Accrued salaries and vacations payable		167,478	186,714
Borrowings and debt	16, 17, 26	97,220	151,994
Other liabilities	20	32,855	35,549
Lease liabilities	26, 27	4,115	4,709
Accrued interest payable on other financial liabilities	26	0	5,360
Trade and other payables	21, 26, 28	189,260	183,659
Total current liabilities		521,110	586,483
Total liabilities		1,555,543	2,091,391
Total equity and liabilities		16,137,341	14,765,199

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

Statement of Profit or Loss

For the year ended September 30, 2023

(In thousands of balboas B/.)

	Note	2023	2022
Revenue:			
Toll revenue		3,348,374	3,027,943
Other Canal transit services		1,458,477	1,175,199
		4,806,851	4,203,142
Other revenue:			
Sales of electricity and power		68,074	42,594
Sales of potable water	28	34,949	35,971
Miscellaneous	23	58,160	40,901
Total other revenue		161,183	119,466
Total revenue		4,968,034	4,322,608
Expenses:			
Salaries and wages		662,143	661,113
Employee benefits	28	82,765	93,999
Materials and supplies		72,340	66,199
Fuel		82,143	47,577
Transportation and allowances		2,996	2,026
Contracted services and fees		135,263	140,147
Insurance		37,742	32,941
Provision for marine accidents	19	13,067	6,337
Provision for obsolete inventory	7	1,581	574
Depreciation and impairment loss	5, 6	235,692	222,247
Depreciation of right-of-use assets	27	5,908	5,545
Fees paid to the Panamanian Treasury	15, 21, 28	601,890	600,420
Other expenses		24,470	18,498
Total expenses	22	1,958,000	1,897,623
Results of operations		3,010,034	2,424,985
Finance income		256,002	62,032
Finance costs	17	(60,323)	(75,390)
Finance income (costs), net		195,679	(13,358)
Profit for the year		3,205,713	2,411,627

The statement of profit or loss 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 Comprehensive Income

For the year ended September 30, 2023

(In thousands of balboas B/.)

	Note	2023	2022
Profit for the year		3,205,713	2,411,627
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Net remeasurement of employee defined benefit plans' actuarial (loss) gain		(524)	1,755
		(524)	1,755
Items that are or may be reclassified to profit or loss:			
Reclassified to profit or loss for the year - instruments at fair value through other comprehensive income (FVOCI)		3,637	236
Net change in fair value - instruments at fair value through other comprehensive income (FVOCI)	9, 14	12,838	(14,254)
Net gain (loss) on cash flow hedges - diesel purchase call options		2,485	(3,303)
Net gain on cash flow hedges - interest rate swap contracts		9,551	70,931
		28,511	53,610
Total other comprehensive income	14	27,987	55,365
Total comprehensive income		3,233,700	2,466,992

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, 2023

(In thousands of balboas B/.)

	Note	Contributed capital	Investment program contributions	Reserves	Other equity accounts	Earnings available for distribution	Total equity
Balance as of September 30, 2021		1,906,336	6,387,625	1,995,489	(82,430)	1,487,818	11,694,838
Profit for the year		0	0	0	0	2,411,627	2,411,627
Other comprehensive income (loss):							
Net remeasurement of employee defined benefit plans' actuarial gain		0	0	0	1,755	0	1,755
Reclassification of loss on financial instruments to profit or loss		0	0	0	236	0	236
Net unrealized loss on instruments at FVOCI		0	0	0	(14,254)	0	(14,254)
Net gain on cash flow hedges		0	0	0	67,628	0	67,628
Total other comprehensive income		0	0	0	55,365	0	55,365
Total comprehensive income of the year		0	0	0	55,365	2,411,627	2,466,992
Transfer to the Panamanian Treasury		0	0	0	0	(1,487,818)	(1,487,818)
Property transferred to the Republic of Panama		(204)	0	0	0	0	(204)
Net increase in contributions	13	0	266,371	0	0	(266,371)	0
Net increase in equity reserves	13	0	0	251,256	0	(251,256)	0
Balance as of September 30, 2022		1,906,132	6,653,996	2,246,745	(27,065)	1,894,000	12,673,808
Profit for the year		0	0	0	0	3,205,713	3,205,713
Other comprehensive income (loss):							
Net remeasurement of employee defined benefit plans' actuarial loss		0	0	0	(524)	0	(524)
Reclassified to profit or loss for the year on instruments at FVOCI		0	0	0	3,637	0	3,637
Net change in fair value on instruments at FVOCI		0	0	0	12,838	0	12,838
Net gain on cash flow hedges		0	0	0	12,036	0	12,036
Total other comprehensive income		0	0	0	27,987	0	27,987
Total comprehensive income of the year		0	0	0	27,987	3,205,713	3,233,700
Transfer to Panamanian Treasury	15	0	0	0	0	(1,894,000)	(1,894,000)
Property transferred from the Republic of Panama	5	568,290	0	0	0	0	568,290
Net increase in contributions	13	0	736,366	0	0	(736,366)	0
Net increase in equity reserves	13	0	0	526,642	0	(526,642)	0
Balance as of September 30, 2023		2,474,422	7,390,362	2,773,387	922	1,942,705	14,581,798

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, 2023

(In thousands of balboas B/.)

	Note	2023	2022
Cash flows from operating activities:			
Profit for the year		3,205,713	2,411,627
Adjustments to reconcile profit for the year to cash from operating activities:			
Depreciation and impairment loss	5, 6, 22	235,692	222,247
Depreciation of right-of-use assets	22, 27	5,908	5,545
Change in fair value of biological property	23	(5,943)	(1,565)
Deferred income	20	(4,454)	(5,804)
Amortization of diesel option premium		3,425	1,455
Loss on disposal of property, plant and equipment	5	118	639
Provision for marine accidents	19	13,067	6,337
Provision for obsolete inventory	7	1,581	574
Materials and supplies inventory usages		39,058	37,395
Amortized discount on debt		1,756	565
Finance (income) costs, net		(195,679)	13,358
Changes in operating assets and liabilities:			
(Increase) decrease in trade and other receivables		(28,703)	6,258
Increase in fuel inventory		(154)	(3,612)
Increase in other assets		(9,268)	(2,616)
Increase in trade and other payables		5,601	16,467
Payment of marine accident claims	19	(1,383)	(3,138)
(Decrease) increase in accrued salaries and vacations payable		(19,236)	17,324
Employee benefits plans		(44)	(304)
(Decrease) increase in other liabilities		(1,424)	896
Cash provided by operating activities:		3,245,631	2,723,648
Interest paid		(64,094)	(77,493)
Net cash provided by operating activities		3,181,537	2,646,155
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(565,154)	(74,752)
Acquisition of inventories		(51,099)	(39,738)
Acquisition of diesel purchase call option		(5,369)	(3,632)
Acquisition of investment securities and other financial assets		(10,529,134)	(11,011,095)
Proceeds from sale and redemption of investment securities and other financial assets		10,584,976	10,268,789
Collection of long-term trade and other receivables		0	471
Interest received		77,750	48,919
Net cash used in investing activities		(488,030)	(811,038)
Cash flows from financing activities:			
Payments of borrowings and debt		(533,535)	(830,000)
Payments of lease liabilities	27	(6,159)	(5,540)
Transfer to the Panamanian Treasury		(1,894,000)	(1,487,818)
Net cash used in financing activities		(2,433,694)	(2,323,358)
Net increase (decrease) in cash and cash equivalents		259,813	(488,241)
Cash and cash equivalents at the beginning of year		137,932	626,173
Cash and cash equivalents at the end of year	11	397,745	137,932
Investing activities that did not represent cash outlays:			
Property transferred by the Republic of Panama	5	568,290	0

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

Index of Notes to the Consolidated Financial Statements:

(1) General Information

The Autoridad del Canal de Panamá, (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 a special regime comprised of the provisions of the aforementioned Title, Law No. 19 of June 11, 1997 (Law No. 19), and regulations dictated by 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 exclusively correspond to ACP, for which it establishes a special labor regime applicable to ACP and its workforce, as well as provides ACP with its own patrimony and the right to its administration.

ACP, in coordination with government entities designated by law, is also responsible for management, maintenance, use and conservation of the water resources of the Canal watershed, including lakes and their tributary streams (see Note 31). As part of this responsibility, ACP optimizes these resources through activities such as the commercialization of energy, water and tourism related activities within the Canal, among others.

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 stated in Article 315 of the Political Constitution of the Republic of Panama, the Organic Law of ACP (Organic Law) and its management.

The Panama Canal, as stated in Articles 2 and 3 of the Organic Law, is an 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. ACP patrimony is comprised of the facilities, buildings, structures, equipment and other movable and immovable property required for the operation of the Canal. These assets include, among others, 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. In addition, pursuant to Article 49 of Law No. 19, ACP is entitled to dispose of any movable or immovable property to the extent they are not necessary for the functioning of the Panama Canal.

ACP headquarters are located at the Administration Building No. 101, Balboa, Corregimiento de Ancón, Republic of Panama.

(2) Basis of Preparation

(a) Statement of compliance

The financial statements of ACP, as of September 30, 2023, and for the year then ended, have been prepared in accordance with Standards as issued by the International Accounting Standards Board (IFRS Standards), approved by the Board of Directors, and authorized to be issued on December 14, 2023.

(2) Basis of Preparation, continued

(b) Measurement basis

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

1. Financial assets measured at fair value through other comprehensive income (FVOCI);
2. Derivative financial instruments;
3. Reimbursement right of ACP; and
4. 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 USD dollar as legal and functional currency. ACP's financial statements are expressed in thousands of balboas (B/.).

(3) Summary of Significant Accounting Policies

ACP has consistently applied the following accounting policies to all the periods presented in these financial statements:

(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 among the main market participants on the measurement date, or in its absence, in the most advantageous market to which ACP has access at the time. The fair value of a liability reflects the effect of a default risk. When applicable, ACP measures the instrument´s fair value using a quoted price for that instrument in an active market. A market is considered 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, 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 consider when setting the price of a transaction. The best evidence of fair value is a quoted market price in an active market. If the market for a financial instrument is not considered 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.

Fair value is categorized into three different levels of hierarchy, based on the inputs used in valuation techniques as follows:

- Level 1: these are quoted (unadjusted) prices in active markets, for identical assets or liabilities that the entity can access on the date of measurement.
- Level 2: inputs that are different from the quoted prices included in level 1, which are observable for assets or liabilities, directly or indirectly.
- Level 3: within the valuation technique there are inputs not observable for financial assets or liabilities.

(3) Summary of Significant Accounting Policies, continued

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

(b) Transactions with related parties

As previously mentioned, ACP is an autonomous legal entity of public law, created and organized by the Constitution with legal personality (separate from the Government), with institutional, financial, and budgetary autonomy. All transactions with related parties are disclosed based on the established criteria in the International Accounting Standard (IAS 24) - "Related Party Disclosures".

ACP considers as a related party any Government entity or public servant, natural or legal person, that has significant influence or interacts as part of their activities with ACP key personnel who participate in operating or financial decisions or have representation in other decision-making bodies, which may affect the preparation and results of ACP's financial statements. This definition includes and considers as a related party the members of the Board of Directors and key management personnel, their relatives, dependents, or close persons, which include: the spouse, their children or children of the spouse, or people of similar analogous relationship of affinity.

(c) Revenue recognition

ACP uses 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 ACP expects to receive in exchange for transferring goods or services to a customer. Depending on whether certain criteria are met, revenue is recognized: over time, in a way that represents ACP'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 revenue is recognized:

Toll revenue and other Canal transit services

Toll revenue and other Canal transit services are recognized at a point in time when the ship concludes its transit through the Canal. Toll revenue and other Canal transit services such as: tug services, line handlers, locomotives, admeasurement services, transit booking fee, pilotage and other services are collected in advance, or within twenty-four (24) hours after the invoice is presented for payment when services are secured by a bank guarantee.

Revenue from electricity and power sales

Revenue from the sale of electric energy and power is recognized over time 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 is recorded at contractual rates or at estimated prices in the spot market at the end of each period.

(3) Summary of Significant Accounting Policies, continued

Revenue from potable water sales

Revenue from the sale of water is recognized over time when treated water is delivered based on prices contracted with the National Aqueduct and Sewage Institute (Instituto de Acueductos y Alcantarillados Nacionales - IDAAN).

Miscellaneous services revenue

Revenue from other services include leases of communication structures and buildings, and extraction of raw water, visitor centers ticket sales, among others, and are recognized over time when the customer simultaneously receives and consumes the benefits provided by ACP's activities.

Some long-term concession contracts include the transfer to ACP of improvements built by the concessionaire, free of charge, 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 appraiser at the time of initial recognition.

(d) Transfer to the Panamanian Treasury

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

(e) Fees paid to the Panamanian Treasury

As mandated by the Panamanian Constitution, fees paid to the Panamanian Treasury, which correspond to payments of per net ton transit fees and public service fees, are recognized when incurred. Also, by constitutional mandate, ACP is not subject to the payment of taxes, duties, fees, rates, or contributions of a national or municipal nature, except for certain public service fees, per net ton transit fees and employer´s contributions related to social security, educational insurance, and workers' compensation.

(f) Financial income and finance costs

Financial income accrued from interest on financial instruments measured at amortized cost and financial assets measured at fair value through 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 throughout 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.

Finance costs are comprised of interest and other costs that ACP incurs in connection with borrowings and debt agreements, including amortized discount, if applicable.

(3) Summary of Significant Accounting Policies, continued

(g) Property, plant and equipment

Property, plant, and equipment held for use, for 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 construction cost, which include financing costs, net of accumulated depreciation and impairment losses. Replacements and improvements of complete elements that increase the useful life of the asset or its economic capacity are accounted for as 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 for separately. Following the accrual principle, major maintenance that does not increase the useful life of the asset, regular maintenance, and repair costs are recognized 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. Land on which buildings and other constructions are settled has an indefinite useful life and, therefore, is not subject to depreciation. The following estimated useful lives are used to calculate depreciation:

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

ACP estimates useful lives based on operational and technological experience, and manufacturer's guidelines. When there is an indication of a change in an asset's useful life, management reviews the estimates for individual assets or groups of assets with similar characteristics due to factors such as technical development, environmental requirements or quality of maintenance and repair. Estimated useful lives and residual values are reassessed on a regular basis.

Constructions in progress include all direct charges for materials, labor, research, equipment, professional fees, and indirect costs related to the works. Upon completion, the construction value will become part of property, plant and equipment and will start depreciating. 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 from 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 transaction costs. After their initial recognition, investment properties are stated at cost by 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, evidenced by the scenarios mentioned below, which is reclassified based on its fair value, and whose profit or loss is recognized in the profit or loss statement:

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

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

When incurred, disbursements due to repairs and maintenance that do not meet the conditions for asset recognition are identified as expense in profit or loss.

(i) Impairment of non-financial assets

At the reporting date, ACP assesses whether there is an indication that a non-financial asset, other than inventories, may be impaired. If any indication exists, 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 impaired, and it is adjusted to its recoverable amount. 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. 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 their acquisition cost and their net realizable value. Inventories are valued using the average cost method based on purchase cost to suppliers, not exceeding the realizable value, which consider the impairment of supplies and materials. 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 ACP has a present obligation, either legal or constructive in nature, because 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 of the obligation amount can be made.

(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 an 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 the time value of money and the risk specific to the liability. When the recovery of some or all 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

ACP records the provision for marine accidents and for claims from counterparties as soon as an economic obligation with high probability derived from these events is known. When a marine accident occurs, ACP performs a detailed investigation to determine the causes of the accident. Once the causes are determined, if applicable, a provision is recognized based on the estimated cost of both, permanent and temporary repairs, and other related costs, which the Administration concludes are the responsibility of 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 counterparties, when disputes arise due to the execution, interpretation, or termination of a contract, it is first required that the contracting officer assesses and determines if the claim has merit and, if so, estimates the probable amount of the obligation to attempt 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 obligation, and the parties undergo an administrative dispute resolution process agreed to in the contract. In some contracts, arbitration in law is established as the jurisdictional instance for the resolution of disputes.

ACP will make the corresponding payment of the claims which merit is duly supported and accepted by ACP in its administrative or judicial stage, according to Article 69 of the Organic Law, or in compliance with a final decision executed by the maritime courts. Cases in which ACP could be liable because of a contract claim, 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.

(m) Employee benefits

Seven bargaining units cover 93.0% (2022: 93.2%) of ACP workforce, each one with its own exclusive representative and collective bargaining unit agreements that are periodically negotiated. The remaining 7.0% (2022: 6.8%) corresponds to trusted employees, that are excluded from any collective bargaining unit agreements.

(3) Summary of Significant Accounting Policies, continued

During fiscal years 2022 and 2023, the following four (4) collective agreements were settled:

Collective bargaining unit agreement	% of workforce	Starting date	Expected end date
Non-professionals	77.5%	Fiscal year 2022	Fiscal year 2025
Professionals	2.3%	Fiscal year 2022	Fiscal year 2026
The Firefighters	0.9%	Fiscal year 2022	Fiscal year 2028
Marine Engineers	2.4%	Fiscal year 2023	Fiscal year 2028

As of September 30, 2023, the following agreement is under negotiation:

Collective bargaining unit agreement	% of workforce	Starting date	Expected completion date
Captains and Deck Officers	2.4%	Fiscal year 2020	Fiscal year 2024

The Panama Canal Pilots agreement (3.4% of workforce) will continue in effect until the end of fiscal year 2026.

The Panama Canal Security Guard Bargaining Unit (4.1% of workforce) was recognized by the Labor Relations Board during fiscal year 2023 and subscribed a memorandum of understanding valid until the fiscal year 2025. This bargaining unit will continue to use some terms of the Non-Professional collective agreement, until a new memorandum of understanding or collective agreement is settled.

Voluntary retirement plans

ACP provides two unfunded defined benefit plans for employee voluntary retirement. The cost of providing these benefits is determined annually by a qualified actuary using the projected unit of credit method. Actuarial gains and losses are fully recognized in the period in which they occur in other comprehensive income (OCI). The liability for defined benefits comprises the present value of both the actual and constructive obligations of defined benefits. Under International Accounting Standard 19 – Employee Benefits (IAS 19), ACP determines the net interest expense on the net defined benefit liability recognized in the profit or loss statement 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 due to benefit payments, among other factors.

For defined benefit plans, 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.

(3) Summary of Significant Accounting Policies, continued

(n) Reimbursement right of ACP

As prescribed by IAS 19 for the recognition of employee benefit plans, ACP has chosen the reimbursement right option. ACP's right to reimbursement is an insurance policy that guarantees 100% reimbursement to ACP of all 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.

Changes in the carrying amount of the reimbursement right are disaggregated and recognized in the same manner as changes in the carrying amount of the related obligation plan. The components of the defined benefit cost are recognized net of changes in the carrying amount of the reimbursement right. The carrying amount of the reimbursement right, 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 the present value of the related constructive actuarial obligation, subject to any reduction required if the reimbursement is not fully recoverable.

Defined benefit contribution plan

Retirement benefits for employees are provided through a defined contribution plan through the Social Security Administration (CSS, for its acronym in Spanish) which assumes responsibility for retirement payments. Contributions are made based on parameters established by the Organic Law of that institution. ACP does not assume responsibility or obligation other than payments determined by law.

(o) Advance payments to contractors

Advance payments to contractors for the acquisition of goods and services are initially recognized as a non-financial asset since repayment is expected to be realized with works and not with cash or another financial instrument. When these advances are expected to be settled in cash or through the execution of third-party guarantees, ACP reclassifies the advance payment as a financial instrument in the prepayments account and other accounts receivable from contractors.

(p) Financial assets and liabilities

Financial assets

Financial assets are recognized based on the trade date, initially at fair value, usually being the transaction price, plus incremental costs related to the transaction. 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 OCI. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

(3) Summary of Significant Accounting Policies, continued

Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model whose objective is to collect contractual cash flows and the contractual cash flows represent 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 FVOCI when they are held in a business model, whose objective is both, to collect contractual cash flows and sell the financial assets, and the contractual cash flows represent solely payments of principal and interest. This category of financial assets includes debt instruments not classified as financial instruments at fair value through profit and loss or at amortized cost. After initial recognition, these assets are subsequently measured at fair value. Interest income calculated under the effective interest method and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in profit or loss. Unrealized gains or losses are reported as net increases or decreases in OCI 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 out on the statement of financial position at fair value. The treatment of gains or losses arising from revaluation is further described in the accounting policy for hedge accounting.

Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, subject to insignificant risk of change in value, and generally mature in 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 this portfolio includes the following:

- The policies and objectives set forth for the portfolio and the operation of those policies in practice that include the Administration´s strategy relating to:
  (i) collecting contractual interest income
  (ii) maintaining a defined interest yield profile
  (iii) capacity to sell at any time for liquidity needs or 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 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.

(3) Summary of Significant Accounting Policies, continued

- 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 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 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, ACP focuses on the contractual terms of the instrument.

This evaluation considers, 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 ACP to obtain cash flows from specific assets (example, asset agreements without recourse); and
- Characteristics that modify the considerations for the value of money over time (example, periodic review of interest rates).

Impairment of financial assets

ACP applies an Expected Credit Loss Model (ECL) to assess impairment on trade and other accounts receivable, bank deposits and debt instruments. In accordance with the Organic Law, ACP can only invest in counterparties that have investment grade; in addition, tolls and other marine services collections, its main source of revenue, receive a payment guarantee prior to rendering the service.

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 their 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. A financial asset is considered impaired when it is unlikely that the debtor will fully pay his credit obligations to ACP, without recourse from 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, ACP also considers low external rating of the issuer; lack of contractual payments on the due date or in the stipulated 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. For impaired assets, the ECL is the difference between the carrying amount and the present value of the estimated future cash flows to be collected.

(3) Summary of Significant Accounting Policies, continued

Inputs for measurement of ECL

The following variables are key inputs used for measuring ECL:

- Probability of default (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 source used is the result of the published study by Standard & Poor´s for corporate and financial services entities.

- Loss given default (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) is used in the same way.

- Exposure at default (EAD): represents the outstanding balances of the principal amount and interest on financial assets at the reporting date.

Significant increase in credit risk

The assessment of whether 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. The credit risk assesment includes information and analysis of a quantitative and qualitative nature based on historical experience and the expert evaluation of credit such as: 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.

Assessment of significant increase in credit risk

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 its initial recognition.

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.

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 continues, then the interest withheld on the asset and a related liability for the amounts that ACP 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 each 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 fees that belong to the effective interest rate.

Trade and other payables

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 on the date a hedging contract is initiated and are subsequently remeasured to their fair value at each reporting date.

On initial designation of the hedge, 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. ACP makes an assessment, both at inception of the hedging 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 term of the designated hedge. 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 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 opposite directions as a result of the change in the hedged risk. This requirement is fulfilled for the hedging relationships carried out by ACP as the underlying of the hedging instrument matches or is closely aligned with the hedged risk. ACP makes a qualitative assessment which considers the following: a) maturity; b) nominal amount; c) cash flow dates; d) interest rate basis or commodity reference price; and e) credit risk.

(3) Summary of Significant Accounting Policies, continued

Hedge ratio

The hedge ratio is the relationship 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 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 the hedge ratio is adjusted for the type of relation in order to improve effectiveness.

Discontinuation of hedge accounting

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 flows 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 hedged 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. Any gain or loss accumulated in equity, at the time of discontinuation of the hedge, 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 is settled 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.

(q) *Leases*

At the beginning of a contract, ACP assesses whether a contract is or comprises a lease. A contract is or comprises a lease if it provides the right to control the use of an asset for a period in exchange for a consideration.

(3) Summary of Significant Accounting Policies, continued

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, ACP has decided not to separate them from the lease components and, instead, for each contract both components are accounted for as a single lease component.

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 ACP at the end of the lease term or the cost of the right-of-use asset shows that 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 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 it is adjusted by new measurements of the lease liability.

A lease liability is initially measured at the present value of unpaid lease payments at the initial date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at ACP's incremental borrowing rate. 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 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 rate on the initial date; amounts expected to be paid under a residual value warranty; the price to be exercised under a purchase option that 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 ACP is reasonably certain not to terminate it early.

A 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.

ACP presents right-of-use assets and lease liabilities in separate line items in the statement of financial position.

(3) Summary of Significant Accounting Policies, continued

<u>*Short-term leases and low-value asset leases*</u>

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 contract service expenses during the lease term.

As a lessor

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. When ACP acts as lessor, it determines at the beginning of the lease whether it is financial or operational. To classify each lease, ACP performs a general assessment of whether the lease transfers substantially all 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 International Financial Reporting Standard 15 – Revenue from Contracts with Customers (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.

(r) 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 1st, 2023, and early application is allowed; however, ACP has not early adopted these new standards or amendments when preparing these financial statements at September 30, 2023, since the annual period began on October 1st, 2022.

Effective date - annual periods beginning on:	**New standards or amendments (upcoming IFRS requirements)**
January 1, 2023	• Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 • Definition of Accounting Estimate – Amendments to IAS 8
January 1, 2024	• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

(4) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

These financial statements are prepared in conformity with IFRS Accounting Standards 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 (Note 3c);
- determination of the useful lives of property, plant and equipment (Note 3g);
- recoverability of property, plant, and equipment (Note 5);
- 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 accidents, contingent liabilities and other claims (Notes 19 and 30, respectively).

(5) Property, Plant and Equipment, Net

The reconciliation of property, plant, and equipment is detailed as follows:

	Buildings	Structures	Equipment	Land	Constructions in progress	Total
Cost:						
Balance at October 1, 2021	230,365	6,235,984	2,964,485	1,022,982	143,094	10,596,910
Additions and other adjustments	0	1,330	(4,333)	0	80,275	77,272
Transfers	4,727	44,805	68,637	0	(118,169)	0
Retirements	(656)	(520)	(16,752)	0	0	(17,928)
Balance at September 30, 2022	234,436	6,281,599	3,012,037	1,022,982	105,200	10,656,254
Additions and other adjustments	0	5,879	64	(3,602)	565,199	567,540
Transfers	3,520	30,275	26,741	500,938	(561,474)	0
Retirements	(302)	(223)	(21,099)	0	0	(21,624)
Property transferred from the Republic of Panama	6	0	0	568,284	0	568,290
Balance at September 30, 2023	237,660	6,317,530	3,017,743	2,088,602	108,925	11,770,460
Accumulated depreciation and impairment loss:						
Balance at October 1, 2021	(64,520)	(867,413)	(1,186,626)	0	0	(2,118,559)
Depreciation	(4,989)	(106,581)	(111,720)	0	0	(223,290)
Adjustments	0	131	35	0	0	166
Retirements	557	393	16,339	0	0	17,289
Balance at September 30, 2022	(68,952)	(973,470)	(1,281,972)	0	0	(2,324,394)
Depreciation	(4,956)	(107,075)	(112,487)	0	0	(224,518)
Adjustments	0	20	(20)	0	0	0
Impairment loss	(82)	(8,335)	(2,607)	0	0	(11,024)
Retirements	285	223	20,998	0	0	21,506
Balance at September 30, 2023	(73,705)	(1,088,637)	(1,376,088)	0	0	(2,538,430)
Net carrying amount:						
Balance at September 30, 2023	163,955	5,228,893	1,641,655	2,088,602	108,925	9,232,030
Balance at September 30, 2022	165,484	5,308,129	1,730,065	1,022,982	105,200	8,331,860

(5) Property, Plant and Equipment, Net, continued

During fiscal year 2023, ACP derecognized assets at a cost of B/.21,624 (2022: B/.17,928), mainly comprised of boat motors for B/.3,397, servers for B/.2,277 and barges for B/.1,532 (2022: steam turbine generators for B/.3,805, outboard motors for B/.1,971, and software and technologic equipment for B/.1,938). The remaining B/.14,418 corresponds to other assets (2022: B/.10,214). As a result, ACP recognized losses on disposal of assets for an amount of B/.118 (2022: B/.639).

Depreciation expense for B/.45 (2022: B/.1,240) corresponds to equipment used in investment projects that were capitalized as property, plant, and equipment.

During fiscal year 2023, land with a total area of 39,964.92 square meters were reclassified to *Investment properties*, with a carrying amount of B/.3,602. See Note 6.

Property acquired and transferred from the Republic of Panama

Through fiscal year 2023, ACP acquired land from the Republic of Panama for a total value of B/.1,068,806. This acquisition contributes to ACP's efforts to protect water resources, environmental conservation in areas surrounding the Canal (see Note 31), as well as compliance with its strategic plan for the consolidation of operational and administrative areas, which will entail, among other benefits, preventing possible sources of environmental threat and guaranteeing the integral and sustainable development of the area. These properties include:

- A total of B/.500,938 was paid for 2,186 hectares of land and B/.118 for improvements located in the province of West Panama (Farfán, Mendoza, Peña Blanca, La Represa in La Arenosa) and in the province of Colón (Sherman and Telfers).

- A total of B/.475,800 was transferred free of charge for 18,392.4 hectares of land located in the province of West Panama (Burunga, Cerro Galera, El Arado, Lago Gatún, Mendoza, Nuevo Emperador, Peña Blanca, La Represa in La Arenosa, Santa Clara, and Arraiján) and in the province of Colon (Río Piña, Sherman, Davis and Telfers).

- A total of B/.91,950 was transferred free of charge for 505.2 hectares of water surfaces located in the province of West Panama (Farfán) and in the province of Colón (Sherman and Telfers).

Land and improvements purchased were recognized at their acquisition cost of B/.501,056; that is, the amount paid in cash was determined based on the average of the appraisals of the Comptroller General of the Republic of Panama (Comptroller) and the Ministry of Economy and Finance (MEF).

Land and water surfaces transferred from the Republic of Panama to ACP free of charge were recognized based on the average of the appraisals of the Comptroller and MEF. These appraisals were subject to a reasonableness analysis by an ACP supplier and the result was taken into consideration for the initial recognition of some of the transferred assets.

During fiscal year 2023, the Republic of Panama transferred properties free of charge to ACP for a total value of B/.568,290, including the land and water surfaces detailed above, as well as the land and improvements located in Paraiso for a total value of B/.540.

(5) Property, Plant and Equipment, Net, continued

Impairment loss

During fiscal year 2023, ACP recognized an impairment loss of B/.11,024 (2022: B/.0), related to a hydrocarbon loading and unloading dock and oil pipelines. Based on assumptions considered in 2012, these assets were expected to provide future economic benefits to the ACP; however, based on current market conditions, it was determined that these assumptions would not be met.

Impairment of non-financial assets

The results of the value in use assessment for the assets in ACP´s Cash Generating Units (CGU), which include Transit, Energy, Water, and Tourism, do not show signs of impairment in the carrying value of its assets. In the case of the Transit CGU, the primary CGU of ACP, the analysis presents a decrease in the Net Present Value (NPV) of future cash flows from tolls and certain marine services revenue in comparison to fiscal year 2022 results; nevertheless, such decrease is offset by the variables in the tariff structure which include revenues from other marine services related to transit reservations and auctions. As a result, the value in use analysis confirmed that there is no impairment of the Transit CGU´s assets.

For this assessment, a stochastic model was used to determine the value in use of the corresponding assets of individual CGUs. The value in use of each CGU is equal to the expected NPV of cash flows projected for the useful life weighted average of assets in use by the corresponding CGU. This model takes into account different variables such as revenue, expenses and work capital requirements that simulate the value in use in each risk scenario with multiple iterations, according to the historical behavior, trend, and statistical correlation among the variables. For the Transit CGU, the water conservation measures implemented in 2023 were considered; that is, draft restrictions and the reduction in transit reservation slots. The assessment results indicated that the value in use continues to exceed the carrying amount of the CGU.

(6) Investment Properties

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

	Buildings	Structures	Equipment	Land	Total
Cost:					
Balance at October 1, 2021	7,036	185	1,891	89,831	98,943
Additions and other adjustments	0	0	0	0	0
Balance at September 30, 2022	7,036	185	1,891	89,831	98,943
Additions and other adjustments	0	0	0	3,602	3,602
Balance at September 30, 2023	7,036	185	1,891	93,433	102,545
Accumulated depreciation and impairment loss:					
Balance at October 1, 2021	(5,387)	(79)	(346)	0	(5,812)
Depreciation	(35)	(31)	(131)	0	(197)
Impairment loss	(86)	0	0	0	(86)
Balance at September 30, 2022	(5,508)	(110)	(477)	0	(6,095)
Depreciation	(33)	(31)	(131)	0	(195)
Reversal of impairment loss	3,184	0	0	0	3,184
Balance at September 30, 2023	(2,357)	(141)	(608)	0	(3,106)
Net carrying amount:					
Balance at September 30, 2023	4,679	44	1,283	93,433	99,439
Balance at September 30, 2022	1,528	75	1,414	89,831	92,848

(6) Investment Properties, continued

ACP's investment properties include the following:

- An area of 180,345 square meters of land, water surface and subaquatic bottom, with a carrying amount of B/.52 (2022: B/.52) and fair value of B/.62,973 (2022: B/.81,110), granted in concession to the PSA Panama International Terminal, S.A. for a period of twenty (20)years, with a renewal option for the same period subject to ACP approval to develop, build, operate and manage a container yard and two docks.

- A plot of land of 1,499.95 square meters, property No.196761, with a carrying amount of B/.22 (2022: B/.22); and a large format tourist 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.

  On June 30, 2023, ACP carried out an impairment test applying the value in use method on a group of assets that, on June 30, 2023, have been granted in concession. According to this method, the value in use of the group of assets is equal to the expected present value of the projected cash flows over the life of the concession contract. Annual cash flows for the group of assets were adjusted based on the minimum annual income reflected in the concession contract. In October 2022, a modification to the concession contract was authorized, resulting in an increase of the minimum annual payment to be received by ACP. Given these changes in the estimates used to evaluate the recoverable amount, the value in use of the group of assets exceeded its carrying amount, for which impairment has been recognized in previous periods. A partial reversal of the recognized impairment was determined and applied.

  The estimate of value in use was determined using a discount rate of 11.5% (2022: 10%) and a future value growth rate of 0% from 2028 (2022: 0% from 2027).

  As of September 30, 2023, the carrying amount of the concession is B/.5,223 (2022: B/.2,122). The value in use was determined at B/.5,223 (2022: B/.2,100), recognizing a reversal of the impairment loss of B/.3,184 (2022: impairment loss of B/.86).

- 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 ACP, with a carrying amount of B/.89,757 (2022: B/.89,757) and fair value of B/.160,734 (2022: B/.308,610).

- Fully depreciated buildings leased to third parties with a fair value of B/.17,732 (2022: B/.22,475).

- Toll road structures and equipment with a carrying amount of B/.805 (2022: B/.917) and fair value of B/.14,308 (2022: B/.9,704).

- In fiscal year 2023, 39,964.92 square meters of land were reclassified from *Property, plant and equipment* with a carrying amount of B/.3,602 and fair value of B/.17,405. This land is required by the Public Works Ministry (MOP, for its acronym in Spanish) for the construction of the fourth bridge over the Panama Canal (see Note 5).

(6) Investment Properties, continued

During fiscal year 2023, income generated by ACP from the rental of buildings and land concessions was B/.11,390 (2022: B/.6,305).

(7) Inventories, Net

Inventories, net are detailed as follows:

	2023	2022
Supplies and materials	80,966	70,096
Fuel	12,121	11,967
Less: estimate for inventories obsolescence	(4,810)	(4,400)
Inventories, net	88,277	77,663
Non-current	76,156	65,696
Current	12,121	11,967
Total	88,277	77,663

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

	2023	2022
Balance at the beginning of the year	4,400	4,000
Increase	1,581	574
Write-off	(1,171)	(174)
Balance at the end of the year	4,810	4,400

(8) Trade and Other Receivables

Trade and other receivables are detailed as follows:

	2023	2022
Tolls and other marine services	30,243	9,579
Sale of electricity and power	14,588	6,239
Sale of potable water	4,172	4,667
Other government entities	583	549
Other services	382	231
Sub-total	49,968	21,265
Less: allowance for expected credit loss (ECL)	(58)	(37)
Total trade and other receivables	49,910	21,228

(8) Trade and Other Receivables, continued

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

	2023	2022
61 – 90 days	18	3
91 – 180 days	10	2
More than 181 days	39	202
Total	67	207

(9) Investment Securities and Other Financial Assets

Investment securities and other financial assets are detailed as follows:

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost:				
Time deposits with maturities over 90 days	1,399,468	1,399,702	1,889,306	1,876,672
Accrued interest receivable	38,710	38,049	17,163	16,751
	1,438,178	1,437,751	1,906,469	1,893,423
Financial instruments measured at fair value with changes in other comprehensive income (FVOCI):				
Corporate debt securities	4,484,461	4,484,461	3,895,429	3,895,429
Financial instruments designated as cash flow hedging instruments:				
Diesel purchase call option contracts	5,063	5,063	841	841
Interest rate swap contracts	3,419	3,419	0	0
	8,482	8,482	841	841
	5,931,121	5,934,694	5,802,739	5,789,693

At September 30, 2023, the unrealized loss on financial instruments measured at FVOCI amounted to B/.1,741 (2022: B/.17,784), recognized in OCI.

During fiscal year 2023, ACP sold financial instruments measured at FVOCI amounting to B/.972,457 (2022: B/.174,244), recognizing a net realized loss of B/.3,445 (2022: B/.916); and redeemed corporate debt securities that were collected upon expiration amounting to B/.7,430,522 (2022: B/.7,647,811).

In accordance with the Organic Law, ACP's funds may be placed in short-term investment grade debt instruments and may not be used to buy other types of investment financial instruments issued by public or private entities, Panamanian or foreign, neither to grant loans to those entities nor to the Panamanian Government. Investments in securities and time deposits are negotiated and recorded in US dollars. On September 30, 2023, all ACP's investments were placed in banks and instruments with an investment grade and short-term maturity, with a period of up to twelve months. The average annual interest rate of return of the investments and other financial assets (excluding current and savings accounts) was 4.6391% (2022: 1.1490%).

(9) Investment Securities and Other Financial Assets, continued

Financial instruments designated as hedge instruments:

On September 2023 (2022: August 2022), ACP subscribed an Asian style call option contract effective September 1, 2023 (2022: September 1, 2022), with the objective of hedging the risk of variability of future cash flows attributable to the price fluctuation of light diesel that ACP expects to purchase for its forecasted operations for fiscal year 2024 (2022: for fiscal year 2023).

(10) Accrued Interest Receivable

Accrued interest receivable is detailed as follows:

	2023	2022
Accrued interest receivable on:		
Corporate debt securities at FVOCI	19,646	4,358
Interest rate swap contracts	1,149	0
	20,795	4,358

(11) Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	2023	2022
Cash on hand	35	35
Deposits in demand deposit accounts	267,425	7,440
Deposits in savings accounts	130,285	304
Time deposits with maturities under 90 days	0	130,000
Accrued interest receivable	0	153
Total cash and cash equivalents	397,745	137,932

Cash deposits in bank accounts, used primarily to cover ACP obligations, earn interest based on daily rates determined by banks. On September 30, 2023, interest rates ranged from 0.01% to 5.30% (2022: From 0.01% to 3.12%).

(12) Contributed Capital

Article 316 of the Political Constitution of the Republic of Panama states that 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, ACP became the administrator of all goods and real estate property identified in the Organic Law of 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 Articles 2 and 3 of the Organic Law; and the economic patrimony, comprised of all those facilities, buildings, structures, equipment and other movable and immovable property required for the operation of the Canal, as established in Article 33 of the same law.

On September 30, 2023, the contributed capital of ACP amounted to B/.2,474,422 (2022: B/.1,906,132).

(13) Investment Program Contributions and Reserves

Changes in investment program contributions, debt repayment contributions, and reserves, as of September 30, 2023, are detailed as follows:

	2023	Increase	2022	Increase (decrease)	2021
Contributions:					
Investment program	5,455,362	206,366	5,248,996	(563,629)	5,812,625
Debt repayment	1,935,000	530,000	1,405,000	830,000	575,000
	7,390,362	736,366	6,653,996	266,371	6,387,625
Reserves:					
Working capital, contingencies, and catastrophic events	1,016,589	120,581	896,008	42,719	853,289
Strategic for growth, sustainability, and debt service	1,086,023	160,286	925,737	48,537	877,200
Financing relevant projects	670,775	245,775	425,000	160,000	265,000
	2,773,387	526,642	2,246,745	251,256	1,995,489
Total	10,163,749	1,263,008	8,900,741	517,627	8,383,114

Contributions

Investment program

At September 30, 2023, ACP increased the funds of the investment program by a net amount of B/.206,366 (2022: net decrease of B/.563,629). This amount includes a contingency amount for the Investment Program - Others, which is set each year. The unused balance is transferred to earnings available for distribution at end of the year.

Debt repayment

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

Reserves

Working capital, contingencies, and catastrophic events

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

Strategic reserves to cover growth, sustainability, and debt service

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.

Financing relevant projects

ACP established an equity reserve to meet the financing needs of the projects of the Water Management System Program and the Consolidation of facilities in the Atlantic and the Pacific.

(14) Other Equity Accounts – Components of Other Comprehensive Income (OCI)

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

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

	2023	2022
Balance at the beginning of the year	(27,065)	(82,430)
Actuarial valuations:		
Net remeasurement of employee defined benefit plans' actuarial (loss) gain	(524)	1,755
Other comprehensive income (loss) not to be reclassified to profit or loss	(524)	1,755
Financial instruments with changes in OCI:		
Reclassified to profit or loss for the year	3,637	236
Net change in fair value in valuation of investments	12,838	(14,254)
Cash flow hedges:		
Light diesel purchase call option contracts:		
Net gain (loss) of not past due contracts	2,485	(3,303)
Interest rate swap contracts:		
Reclassification of (loss) gain to profit for the year	(379)	21,366
Net gain of not past due contracts	9,930	49,565
Other comprehensive income that are of may be reclassified to profit or loss	28,511	53,610
Other comprehensive income for the year	27,987	55,365
Balance at the end of the year	922	(27,065)

(15) Earnings Available for Distribution and Transfers to Panamanian Treasury

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 law and regulations, any surplus shall be forwarded to the National Treasury in the following fiscal period, subject to the approval of the Board of Directors when surpluses are declared. Therefore, upon Board of Directors order, ACP will transfer the total amount of B/.1,942,705 to the Panamanian Treasury which corresponds to the earnings available for distribution for the year ended September 30, 2023 (2022: B/.1,894,000). See Note 32.

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

	2023	2022
Payments to the Panamanian Treasury:		
Per net ton transit fees (Note 21)	600,101	598,732
Public service fees	1,789	1,688
Sub-total (Note 28)	601,890	600,420
Earnings available for distribution (Note 32)	1,942,705	1,894,000
Total	2,544,595	2,494,420

(16) Debt

Debt consists of bonds payable which are detailed as follows:

	Interest rate%	Maturity	2023	2022
Bond 2035	4.95	July 29, 2035	354,465	450,000
Less: discount and issuing costs			(5,062)	(6,818)
Plus: accrued interest payable			2,973	3,713
Total bonds payable			352,376	446,895

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. The bonds have been offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers according to Rule 144A under the Securities Act ("Rule 144A") and to certain non-U.S. persons in transactions outside the United States according to Regulation S under the Securities Act ("Regulation S").

These bonds have a fixed annual rate of 4.95% and their effective interest rate is 4.82%. During fiscal year 2023, ACP purchased in open market transactions and canceled B/.95,535 in face amount of the bonds for B/.91,095. The unamortized cost of issuing these bonds and the unamortized discount, totaling B/.1,395, have been deducted in the current period. As a result, the principal amount will be repaid in semi-annual installments of B/.88,616 (2022: B/.112,500), from January 29, 2034, and maturing on July 29, 2035.

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

- as soon as 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 Accounting Standards and audited by an internationally recognized firm of independent public accountants; and

- as soon as 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, which includes statement of financial position, statement of profit and loss, and statement of cash flows, in English, prepared on a basis consistent with the audited financial statements of the Issuer and in accordance with IFRS Accounting Standards.

(17) Borrowings

Borrowings are detailed as follows:

Credit Facilities	Interest rate % (prior to the Term SOFR start date*)	Maturity	2023	2022
European Investment Bank (EIB)	Libor 6 months + 0.811	15-Nov-28	40,000	129,565
European Investment Bank (EIB)	5.196	15-Nov-28	0	65,000
Development Bank of Latin America (CAF)	Libor 6 months + 1.20	15-Nov-28	33,000	58,370
Development Bank of Latin America (CAF)	Libor 6 months + 1.40	15-Nov-28	33,000	58,369
International Finance Corporation (IFC)	Libor 6 months + 1.30	15-Nov-28	67,000	116,739
Inter-American Development Bank (IDB)	Libor 6 months + 1.05	15-Nov-28	89,000	155,653
Japan Bank for International Cooperation (JBIC)	Libor 6 months + 0.75	15-Nov-28	195,000	311,304
		Sub-total	457,000	895,000
		Accrued Interest payable	11,156	10,589
		Total borrowings	468,156	905,589

*From and after the Term SOFR start date, the interest rate shall be the Adjusted Term SOFR, as determined in accordance with the Common Terms Agreement, plus the applicable margin. The Term SOFR start date means the first payment date occurring after June 30, 2023, which is November 15, 2023 (see Note 26).

In fiscal year 2023, a prepayment was applied to the principal of the credit facilities and accordingly, semi-annual repayment installments decreased from B/.68,850 to B/.41,545, until final due date on November 15, 2028.

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

	2023	2022
Non-current borrowings	373,909	757,308
Current borrowings	83,091	137,692
Accrued interest payable	11,156	10,589
Total	468,156	905,589

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

- **Total debt to EBITDA:** ACP shall maintain, as of the end of every semi-annual fiscal period, a ratio of less than 2.5 at the end of such measurement period; and

- **Debt service coverage:** ACP shall maintain at the end of every semi-annual fiscal period, a ratio of no less than 3.0 at the end of such measurement period.

Compliance with the financial covenants is reported on an annual basis to the five credit facilities lenders. The following are the key definitions from the Common Terms Agreement that are used to calculate the financial ratios:

(17) Borrowings, continued

- EBITDA means, for any period, the sum, without duplication, of (a) net income (or net loss), (b) interest expense (if 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 ACP or 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, letters of credit or similar facilities, (e) all obligations of the Borrower as lessee under any capitalized lease, synthetic or financial 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 and amortization of debt discount, in respect of all debt for borrowed money, plus regularly scheduled principal amounts of all debt for borrowed money payable, in each case, by the Borrower during such period or at such time (it being understood that regularly scheduled payments do not include mandatory or optional prepayments or redemptions).

As of September 30, 2023, ACP is in compliance the financial covenants as set forth:

	2023	2022
Total debt to EBITDA	0.3	0.5
Debt service coverage	32.6	17.0

Finance costs are detailed as follows:

	2023	2022
Interest on bonds and loans	60,700	53,040
Cash flow hedges	(379)	21,366
Leases (Note 27)	157	155
Other finance costs	(155)	829
Total finance costs	60,323	75,390

(17) Borrowings, continued

The details of borrowings and debt is listed below for reconciliation purposes with the statement of cash flows:

	2023	**2022**
Balance at the beginning of the year	1,345,000	2,175,000
Payments of borrowings and debt	(533,535)	(830,000)
Balance at the end of the year	811,465	1,345,000

(18) Other Financial Liabilities

Other financial liabilities are detailed as follows:

	2023	**2022**
Derivative financial instruments designated as hedging instruments recognized at fair value:		
Interest rate swaps – cash flows hedges	0	6,326

(19) Provision for Marine Accidents

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

Changes in the provision for marine accidents are detailed as follows:

	2023	**2022**
Balance at the beginning of the year	18,498	15,299
Provision for the year	13,067	6,337
Payments made	(1,383)	(3,138)
Balance at the end of the year	30,182	18,498

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

(20) Other Liabilities

Other liabilities are detailed as follows:

	2023	**2022**
Supplies – Inventories in transit	5,501	7,714
Deferred contract liability	22,879	24,149
Other	4,475	3,686
Total other liabilities	32,855	35,549

During fiscal year 2017, ACP subscribed an agreement with the Public Works Ministry (MOP, for its acronym in Spanish) for the use of specific buildings and land owned by ACP required for the construction of the fourth bridge over the Panama Canal, either through demolition or for its occupation during the construction period. In exchange, MOP paid ACP B/.33,663, which was recognized as a deferred liability. During fiscal year 2023, the deferred liability was amortized by B/.4,293 (2022: B/.5,552) representing the fair value of the right of use for the land and buildings transferred to the MOP for an indefinite term.

(20) Other Liabilities, continued

During fiscal year 2023, the deferred liability of the large format tourist cinema concession contract was amortized for an amount of B/.161 (2022: B/.252), which was recognized under *Other income* in the statement of profit or loss. In addition, a reversal of the impairment loss from previous years was recognized in the amount of B/.3,184 (2022: impairment loss of B/.86). See Note 6.

(21) Trade and Other Payables

Trade and other payables are as follows:

	2023	**2022**
Panamanian Treasury	48,428	46,949
Suppliers and others	140,832	136,710
Total trade and other payables	189,260	183,659

Amount payable to the Panamanian Treasury relates to the per net ton transit fees. The Organic Law establishes that ACP shall annually pay the Panamanian Treasury a per net ton transit fee, or its equivalent, collected from vessels paying tolls for use of the Canal. This fee shall be set by ACP. During fiscal year 2023, the fees recognized by ACP to the Panamanian Treasury for this concept amounted to B/.600,101 (2022: B/.598,732). See Note 15.

(22) Labor, Materials and Other Capitalized Costs

The investment program has been executed partially or totally with ACP's own resources and equipment. ACP capitalizes eligible operating costs incurred in developing the investment program.

The operating expenses and capitalized costs are detailed as follows:

		2023	
	Total expenses	**Less capitalized costs**	**Net operating expenses**
Salaries and wages	665,734	3,591	662,143
Employee benefits	82,864	99	82,765
Materials and supplies	72,810	470	72,340
Fuel	82,219	76	82,143
Depreciation and impairment loss	235,737	45	235,692
Other expenses	822,917	0	822,917
Total	1,962,281	4,281	1,958,000

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

	2022		
	Total expenses	Less capitalized costs	Net operating expenses
Salaries and wages	671,727	10,614	661,113
Employee benefits	94,679	680	93,999
Materials and supplies	67,990	1,791	66,199
Fuel	50,504	2,927	47,577
Depreciation and impairment loss	223,487	1,240	222,247
Other expenses	806,488	0	806,488
Total	1,914,875	17,252	1,897,623

(23) Other Miscellaneous Revenues

Other miscellaneous revenues are detailed as follows:

	2023	2022
Canal visitors´ centers	6,766	4,065
Government of Panama:		
Operational leasing	3,657	3,272
Right of use of land and buildings (Public Works Ministry)	4,293	5,552
Other revenues:		
Port concession	4,787	4,466
Sales of retired assets and scrap	2,602	3,463
Telecommunications	3,275	3,555
Change in fair value of biological property	5,943	1,565
Third Set of Locks legal costs	20,653	6,600
Other	6,184	8,363
Total other miscellaneous revenues	58,160	40,901

(24) Income Taxes

ACP is not subject to income taxes, as stated in Article 43 of the Organic Law, which exempts it from the payment of taxes, duties, tariffs, charges, rates, or tributes of a national or municipal nature, except for certain public service fees, per net ton transit fees and employer´s contributions related to social security, educational insurance, and workers' compensation.

(25) Employee Benefits

The constructive and formal liability of the employee benefit plans is as follows:

	2023	2022
Benefit for employment retirement	303,196	294,281

(25) Employee Benefits, continued

In July 2012, ACP established the Voluntary Retirement Incentive Plan (VRI) for ACP´s permanent employees and heads of principal offices who, at the required retirement age, voluntarily retire. Prior to the establishment of the VRI, the Labor Retirement Benefit Plan (LRB) existed and remains active to date in six of the collective bargaining agreements. Employees that are willing to accept the incentive by retiring voluntarily must select between the two plans; that is, in no case they will be able to choose both. The VRI plan was established for an indefinite period and could be suspended, modified, or terminated by the Board of Directors.

As long as both plans are in effect, the probability that the employees choose the LRB over VRI is very low since the latter offers superior benefits.

The eligibility requirements for both plans include, among others, that employees must retire from ACP within the period of time between the age of early retirement (55 years old for women and 60 years old for men) and up to 60 days after reaching the regular retirement age (57 years old for women and 62 years old for men). Officials and permanent employees covered by the Canal pilots' collective agreements are only eligible for VRI.

In the case of VRI, employees that have been separated for more than two years from ACP will lose their eligibility to receive plan benefits.

ACP contracted an independent actuarial service to estimate the present value of the total expected cash flows to be paid by ACP provided that the plan is maintained through the years. The actuary also determines the accrued liability on September 30, 2023. This estimate is formulated by using the projected unit credit method and by taking into consideration actuarial assumptions, such as: personnel average age statistics, 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 both post-employment benefit plans.

The fair value was calculated at different interest rates and for different case scenarios incorporating historical data provided by ACP to the actuary and using a discount rate equivalent to the yield curve for corporate bonds with investment grade in the United States of America (AAA, AA, A).

Expenses related to the employee benefit plans 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.

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

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of OCI	Statement of Financial Position
2023	**October 1, 2022**	**Benefit costs**	**Net interest**	**Benefits paid**	**Actuarial adjustments**	**September 30, 2023**
Fair value of the benefits	294,281	13,368	12,338	(33,861)	17,070	303,196

(25) Employee Benefits, continued

During fiscal year 2023, the actuarial adjustments mainly include a loss recognition associated with a change of labor status for a group of employees.

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of OCI	Statement of Financial Position
2022	**October 1, 2021**	**Benefit costs**	**Net interest**	**Benefits paid**	**Actuarial adjustments**	**September 30, 2022**
Fair value of the benefits	362,944	15,927	6,360	(32,432)	(58,518)	294,281

During fiscal year 2022, the actuarial adjustments mainly include the recognition of a decrease in the liability for B/.44,244 associated to the following events:

- Increase in the discount rate;
- Decrease in the wage increase rate

The main actuarial assumptions used in the estimate calculations are presented below:

	Age	2023 %	2022 %
Discount rate		5.61	4.46
Salary increases		2.25 - 2.31	2.25 - 2.31
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

In the event the plans are maintained without modifications, the projected disbursements for voluntary retirement benefits expected in future years are as follows:

	2023
Maturity of the obligation:	
From 0 to 1 year	32,675
From 1 to 5 years	139,583
From 5 to 10 years	169,791
From 10 to 25 years	363,345
Beyond 25 years	85,005

As of September 30, 2023, the average duration of the obligation for the defined benefit plans for voluntary retirement of employees (VRI/LRB) is approximately 5.43 years (2022: 6.60 years).

(25) Employee Benefits, continued

A quantitative sensitivity analysis, based on variation in basis points (bp), for significant assumptions, at September 30, 2023, is as follows:

	2023			
	Discount rate		Salary	
Assumption	Increase 25 bp	Decrease 25 bp	Increase 25 bp	Decrease 25 bp
Sensitivity level				
Impact on defined benefit obligation	(5,504)	5,848	5,581	(5,430)

	2022			
	Discount rate		Salary	
Assumption	Increase 25 bp	Decrease 25 bp	Increase 25 bp	Decrease 25 bp
Sensitivity level				
Impact on defined benefit obligation	(5,075)	5,381	5,143	(5,009)

Reimbursement right of ACP

ACP contracted a reimbursement policy for the defined benefit plans for voluntary employee retirement. The policy ensures the reimbursement of all payments made by ACP in respect of defined benefit plans for voluntary employee retirement during the term of the plan. This reimbursement is valid if ACP makes annual installments to the insurance company as a guaranteed deposit equal to the probable amount that 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 ACP suffers any event that financially incapacitates it from complying with payment of obligations to its employees, for any reason, including illiquidity. This protection will be provided if the event occurs during the term of the policy, ACP is current in the payments of the premium and if the defined benefit plans for voluntary retirement are in effect.

The policy does not cover the risk of default that could arise from internal fraud, catastrophic physical risks, nuclear war, terrorism, and epidemics, which has been estimated at 3.1% (2022: 3.0%) of the total insured amount.

Changes in the reimbursement right of ACP during fiscal year 2023 are detailed as follows:

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of OCI	Statement of Financial Position
2023	October 1, 2022	Reimbursement right cost of the year	Net interest	Reimbursements during fiscal year	Actuarial adjustments	September 30, 2023
Reimbursement right of ACP	285,453	14,392	11,959	(34,462)	16,546	293,888

(25) Employee Benefits, continued

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of OCI	Statement of Financial Position
2022	**October 1, 2021**	**Reimbursement right cost of the year**	**Net interest**	**Reimbursements during fiscal year**	**Actuarial adjustments**	**September 30, 2022**
Reimbursement right of ACP	352,056	14,277	6,169	(30,286)	(56,763)	285,453

As of September 30, 2023, ACP paid the insurer B/.33,066 (2022: B/.32,213) for benefits paid from the reimbursement insurance policy.

(26) Risk Management

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

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

Categories of financial instruments

	2023	2022
Financial assets		
Investment securities and other financial assets (Note 9)	5,931,121	5,802,739
Trade and other receivables (Note 8)	49,910	21,228
Cash and cash equivalents (Note 11)	397,745	137,932
	6,378,776	5,961,899
Financial liabilities		
Borrowings and debt, net (Notes 17 and 16)	820,532	1,352,484
Lease liabilities (Note 27)	12,040	8,520
Other financial liabilities (Note 18)	0	6,326
Trade and other payables (Note 21)	189,260	183,659
	1,021,832	1,550,989

(26) Risk Management, continued

Accounting classification and fair values

The following tables show the carrying amount 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 approximately the same as the fair value:

	Carrying amount					Fair Value			
2023	**Hedging instruments at fair value**	**Debt securities at FVOCI**	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:									
Investment securities and other financial assets									
Corporate debt securities	0	4,484,461	0	0	4,484,461	1,754,334	2,730,127	0	4,484,461
Instruments designated in cash flow hedging relationships:									
Diesel purchase call option contracts	5,063	0	0	0	5,063	0	5,063	0	5,063
Interest rate swaps	3,419	0	0	0	3,419	0	3,419	0	3,419
	8,482	4,484,461	0	0	4,492,943	1,754,334	2,738,609	0	4,492,943
Financial assets not measured at fair value:									
Investment securities and other financial assets									
Time deposits with maturities over 90 days	0	0	1,399,468	0	1,399,468	0	1,399,702	0	1,399,702
Accrued interest receivable	0	0	38,710	0	38,710	0	38,049	0	38,049
	0	0	1,438,178	0	1,438,178	0	1,437,751	0	1,437,751
Financial liabilities not measured at fair value:									
Debt	0	0	0	352,376	352,376	0	0	335,678	335,678
Borrowings	0	0	0	468,156	468,156	0	0	482,097	482,097
	0	0	0	820,532	820,532	0	0	817,775	817,775

(26) Risk Management, continued

	Carrying amount					Fair Value			
2022	**Hedging instruments at fair value**	**Debt securities at FVOCI**	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:									
Investment securities and other financial assets									
Corporate debt securities	0	3,895,429	0	0	3,895,429	740,979	3,154,450	0	3,895,429
Instruments designated in cash flow hedging relationships:									
Diesel purchase call option contracts	841	0	0	0	841	0	841	0	841
	841	3,895,429	0	0	3,896,270	740,979	3,155,291	0	3,896,270
Financial assets not measured at fair value:									
Investment securities and other financial assets									
Time deposits with maturities over 90 days	0	0	1,889,306	0	1,889,306	0	1,876,672	0	1,876,672
Accrued interest receivable	0	0	17,163	0	17,163	0	16,751	0	16,751
	0	0	1,906,469	0	1,906,469	0	1,893,423	0	1,893,423
Financial liabilities measured at fair value:									
Other financial liabilities:									
Instruments designated in cash flow hedging relationships:									
Interest rate swaps	6,326	0	0	0	6,326	0	6,326	0	6,326
	6,326	0	0	0	6,326	0	6,326	0	6,326
Financial liabilities not measured at fair value:									
Debt	0	0	0	446,895	446,895	0	0	436,073	436,073
Borrowings	0	0	0	905,589	905,589	0	0	935,188	935,188
	0	0	0	1,352,484	1,352,484	0	0	1,371,261	1,371,261

Hedging instruments such as interest rate swap contracts are recognized at their clean price and the interest is recognized under the line item of *Accrued interest payable* on other financial liabilities 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 in Note 3.

Type	Valuation technique	Unobservable significant inputs	Interrelation between unobservable significant inputs and fair value measurement
Corporate debt securities	*Market comparison*. Fair value is estimated considering recent or current quoted 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.	None	Not applicable
Diesel purchase option contracts	*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	Not applicable
Interest rate swap contracts	*Swap model:* fair value is calculated as the present value of the estimated cash flows. The future cash flow estimates of variable rate curves are based on quoted swap rates, future prices, and interbank rates. Future cash flows are discounted using a yield curve composed of similar sources 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 ACP and the counterparty, calculated using credit margins derived from credit default swaps or bond prices.	None	Not applicable

Financial risk management objectives

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

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

ACP’s Administration monitors and manages these risks. ACP’s Treasury coordinates the access to international financial markets, monitors and manages the financial risks related to 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

ACP maintains policies that provide written principles about foreign exchange risk management, interest rate risk, credit risk, the use of hedging financial instruments and liquidity investments. ACP does not subscribe or negotiate financial instruments for speculative purposes.

ACP's Treasury quarterly updates the Board of Directors' Finance and Strategic Planning 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

Market risk is the risk that changes in market prices of interest rates may affect the income of ACP or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure ACP´s solvency while optimizing the return on risk.

ACP's activities are exposed primarily to financial risks due to variations of interest rates, and commodity prices beyond its control. ACP´s financial instruments are at fixed rates; however, borrowings for B/.457,000 (2022: B/.830,000) are at variable rates (Note 17). With the purpose of managing exposure to these risks, ACP subscribes hedging 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 to mitigate the risk of fluctuations in the price of this commodity which is required for the Canal's regular operations.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR Reform").

Non-derivative financial liabilities

During fiscal year 2023, the ACP modified the borrowing agreements with contractual conditions indexed to 6-month LIBOR in US dollars, to incorporate the alternative reference rate called the Secured Overnight Financing Rate (Term SOFR) or Adjusted Term Guaranteed Interest Rate.

The borrowings agreements that have completed the transition to the alternative reference rate Term SOFR are detailed in Note 17 – Borrowings.

For the Common Terms Agreement and each Credit Facility Agreement, the "Term SOFR Start Date" means the first payment date occurring after June 30, 2023, which is November 15, 2023.

(26) Risk Management, continued

Derivative financial instruments for risk management purposes

ACP contracts interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. ACP´s derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)´s master agreements.

Hedge accounting

During fiscal year 2023, the ACP concluded meetings with derivatives counterparties and replaced its US dollars LIBOR interest rate derivatives used in cash flow hedging relationships with economically equivalent interest rate derivatives referencing Term SOFR.

For the interest rate swaps transactions, the effective date is November 15, 2023, for a floating rate option: USD-SOFR Term with designated maturity of 6 Months until November 15, 2028.

Exchange rate risk management

ACP has established a policy to avoid foreign currency risk related to its functional currency. 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 dollars of the United States of America, or in other currencies authorized by the Board of Directors. ACP did not maintain commitments or deposits in currencies other than the U.S. dollar (USD).

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 ACP can fluctuate as a result of unanticipated variations in interest rates.

The following table summarizes ACP's interest rate risk exposure, in nominal values, due to interest repricing gaps based on the next repricing date or the maturity date of its financial assets and liabilities:

	2023					
	Up to 3 months	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Financial assets:						
Corporate debt securities – FVOCI	1,406,405	1,771,384	1,306,672	0	0	4,484,461
Demand deposits and time deposits with banks	845,923	580,000	410,000	0	0	1,835,923
	2,252,328	2,351,384	1,716,672	0	0	6,320,384
Financial liabilities:						
Debt	0	0	0	0	354,465	354,465
Borrowings	457,000	0	0	0	0	457,000
	457,000	0	0	0	354,465	811,465
Interest rate swap contracts	(400,000)	0	40,000	320,000	40,000	0
Total interest rate sensitivities	2,195,328	2,351,384	1,676,672	(320,000)	(394,465)	5,508,919

(26) Risk Management, continued

	2022					
	Up to 3 months	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Financial assets:						
Corporate debt securities – FVOCI	2,005,930	1,295,307	594,192	0	0	3,895,429
Demand deposits and time deposits with banks	534,401	500,000	1,010,000	0	0	2,044,401
	2,540,331	1,795,307	1,604,192	0	0	5,939,830
Financial liabilities:						
Debt	0	0	0	0	450,000	450,000
Borrowings	830,000	0	0	0	65,000	895,000
	830,000	0	0	0	515,000	1,345,000
Interest rate swap contracts	(480,000)	0	40,000	320,000	120,000	0
Total interest rate sensitivities	2,190,331	1,795,307	1,564,192	(320,000)	(635,000)	4,594,830

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

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.

ACP performs simulations on its financial assets and liabilities to evaluate interest rate risk and its impact on the fair value of financial instruments. To manage interest rate risk, ACP has defined an interval on the limits to monitor the sensitivity of 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.

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

	Net interest income sensitivity			
	100 bp increase		**100 bp decrease**	
	2023	**2022**	**2023**	**2022**
Corporate debt securities – FVOCI	28,544	28,172	(28,224)	(27,056)
Demand deposits and time deposits with banks	7,554	9,293	(7,554)	(9,021)
Debt with multilateral credit agencies	(3,534)	(6,544)	3,534	6,544
Interest rate swap contracts	3,402	4,100	(3,402)	(4,100)
At the end of the year	35,966	35,021	(35,646)	(33,633)

	OCI sensitivity			
	100 bp increase		**100 bp decrease**	
	2023	**2022**	**2023**	**2022**
Corporate debt securities – FVOCI	(16,650)	(11,287)	16,642	11,253
Interest rate swap contracts	9,794	16,568	(9,844)	(16,573)
At the end of the year	(6,856)	5,281	6,798	(5,320)

(26) Risk Management, continued

Interest rate risk management

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

ACP determines whether an economic relationship between the hedged item and the hedging instrument exists based on the reference interest rates, terms, maturity dates and notional amounts. ACP expects that the hedging relationship will not be altered as a result of the change in the reference interest rate due to the IBOR Reform.

Interest rate swap contracts

Starting in March 2010, ACP established unsecured interest rate swap contracts to fix the interest rate on B/.800,000 variable rate loans. The notional amount and principal amortizations on the swap instruments match with the dates, disbursements, and amortizations of the underlying loans: B/.200,000 received on March 1st, 2010, B/.300,000 on October 29, 2010, and B/.300,000 on April 13, 2011, and semi-annual amortizations for B/.40,000 each, which began on May 15, 2019, until their maturity on November 15, 2028. See Note 17.

According to interest rate swap contracts, ACP agreed to swap the difference between the fixed and floating interest rates amounts calculated on the agreed notional principal amounts. Such contracts allow 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.

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
440,000	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	
	2023	2022	2023	2022	2023	2022
5 years or more	4.67%	4.67%	440,000	520,000	3,419	(6,326)

(26) Risk Management, continued

Interest rate swaps are liquidated semi-annually. The floating rate on the interest rate swaps is the 6-month LIBOR rate. 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, to reduce ACP's cash flow exposure resulting from floating interest rates on borrowings. The interest rate swap contracts subscribed with ACP's counterparties stipulate that 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 amount of the hedging instruments; at the same time, represent the moment when they are realized in profit or loss.:

	2023					2022				
			Expected cash flows					Expected cash flows		
	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 swap contracts:										
Assets	3,419	4,658	1,532	2,492	634	0	0	0	0	0
Liabilities	0	0	0	0	0	(6,326)	(12,671)	(7,160)	(466)	(5,045)
	3,419	4,658	1,532	2,492	634	(6,326)	(12,671)	(7,160)	(466)	(5,045)
Diesel purchase call option contracts:										
Assets	5,063	3,010	2,194	816	0	841	0	0	0	0
Total	8,482	7,668	3,726	3,308	634	(5,485)	(12,671)	(7,160)	(466)	(5,045)

Liquidity risk management

Liquidity risk is the risk that ACP will not be able to meet obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

(26) Risk Management, continued

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

	2023						
	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:							
Corporate debt securities – FVOCI	4,484,461	4,606,328	1,429,820	1,821,769	1,354,739	0	0
Time deposits with maturities over 90 days	1,438,178	1,477,899	429,317	613,012	435,570	0	0
Trade and other receivables	49,910	49,967	49,808	29	130	0	0
Cash and cash equivalents	397,745	397,746	397,746	0	0	0	0
	6,370,294	6,531,940	2,306,691	2,434,810	1,790,439	0	0
Financial liabilities:							
Debt	352,376	551,858	0	8,773	8,773	70,184	464,128
Borrowings	468,156	535,738	56,566	0	55,069	381,512	42,591
Lease liabilities	12,040	13,051	1,192	1,113	2,127	8,619	0
Trade and other payables	189,260	189,260	189,260	0	0	0	0
	1,021,832	1,289,907	247,018	9,886	65,969	460,315	506,719
Hedging instruments:							
Diesel purchase call option	5,063	3,010	1,145	1,049	816	0	0
Interest rate swap, fixed payments and variable receipts, net	3,419	4,657	1,532	0	2,492	693	(60)
	8,482	7,667	2,677	1,049	3,308	693	(60)

	2022						
	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:							
Corporate debt securities – FVOCI	3,895,429	3,949,297	2,014,066	1,322,254	612,977	0	0
Time deposits with maturities over 90 days	1,906,469	1,942,668	384,759	509,468	1,048,441	0	0
Trade and other receivables	21,228	21,265	21,061	2	202	0	0
Cash and cash equivalents	137,932	138,093	138,093	0	0	0	0
	5,961,058	6,051,323	2,557,979	1,831,724	1,661,620	0	0
Financial liabilities:							
Debt	446,895	722,870	0	11,138	11,138	89,100	611,494
Borrowings	905,589	1,052,388	82,974	0	91,382	661,483	216,549
Lease liabilities	8,520	9,287	1,406	1,393	2,217	4,271	0
Trade and other payables	183,659	183,659	183,654	0	5	0	0
	1,544,663	1,968,204	268,034	12,531	104,742	754,854	828,043
Hedging instruments:							
Diesel purchase call option	841	0	0	0	0	0	0
Interest rate swap, fixed payments and variable receipts, net	(6,326)	(12,671)	(7,160)	0	(466)	(3,977)	(1,068)
	(5,485)	(12,671)	(7,160)	0	(466)	(3.977)	(1,068)

ACP entered a Common Terms Agreement with five multilaterals credit agencies to finance the Canal Expansion Program for a total of B/.2,300,000 with an effective rate of 2.56% calculated as a weighted average of fixed and variable portions. Currently, 100% of the borrowings (B/.457,000) have a variable average effective rate of 2.34%.

(26) Risk Management, continued

The interest rate swap contracts subscribed with ACP's counterparties stipulate that ACP will not cover with collateral guarantees any unrealized loss generated by the periodic valuations of these financial instruments.

Moreover, ACP issued bonds totaling B/.450,000 for the financing of the new bridge across the Atlantic side of the Canal at a fixed rate of 4.95% (effective rate of 4.82%) payable semi-annually in January and July of each year.

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

2023	Weighted average effective interest rate (%)	1 month or less	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Variable interest rate loans	2.34%	0	41,545	41,545	332,365	41,545	457,000
Fixed interest rate debt	4.82%	0	0	0	0	354,465	354,465
		0	41,545	41,545	332,365	396,010	811,465

2022	Weighted average effective interest rate (%)	1 month or less	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Variable interest rate loans	2.43%	0	63,847	63,846	510,769	191,538	830,000
Fixed interest rate loans	5.31%	0	5,000	5,000	40,000	15,000	65,000
Fixed interest rate debt	4.82%	0	0	0	0	450,000	450,000
		0	68,847	68,846	550,769	656,538	1,345,000

Fuel price risk

ACP is exposed to risks arising from fluctuations in the price of 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 ACP's customers.

Maritime operations

ACP consumes approximately between 13 and 14 million gallons annually 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 which is considered representative for the implementation of appropriate commercial policies. In order to manage the risk, specific hedging operations are contracted for approximately 85% of the expected volume.

In September 2023, ACP procured a diesel purchase option contract to hedge its fiscal year 2024 operational diesel budget of 13.2 million gallons with a monthly notional of 937,000 gallons and a strike price of B/.2.58 per gallon. During fiscal year 2023, the cumulative annual fuel consumption equaled 13.1 million gallons (2022: 13.3 million gallons).

(26) Risk Management, continued

Energy generation

ACP generates power for the consumption of the Canal's operations, while excess capacity is sold in the domestic energy market. During fiscal year 2023, ACP consumed 19% of the power generated, while the remaining 81% was sold to the energy market (2022: 37% and 63%, respectively). Power generated by hydroelectric and thermal plants was 27% and 73%, respectively (2022: 64% and 36%).

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

As of September 30, 2023, the current price index for light diesel purchases made as of October 2023 is B/.3.25 (2022: B/.3.37) per gallon. Under the assumption of an increase / decrease of ±B/.0.44 (2022: ±B/.0.71) per gallon in the price of light diesel for the next 12 months, the annual increase / decrease in the operating expenses of light diesel would result in B/.879 and B/. -879 respectively (2022: B/.5,738 and B/. -10,017).

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 at the time such asset was acquired. To mitigate the credit risk, the liquidity investment policy sets limits by industry and by issuer because of the categorization of the Risk Assessment System adopted by 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's risk factor is the only one considered.

Counterparty risk refers to the risk of a counterparty settling in the payment of a security purchase transaction. ACP does not have counterparty risk for these transactions, as it buys all its securities using the method of payment on delivery or through payment systems, using a custodian account. For hedging instruments, ACP calculates and recognizes the credit risk during the instrument profit or loss determination, and its impact during effectiveness testing.

Credit risk refers to the risk that one of the parties does not comply with its contractual obligations, resulting in financial loss to ACP. To mitigate this risk, ACP's policies only allow deposits 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 Investor Services 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 & Poor's, P-3 by Moody's Investor Services, or F-3 by Fitch Ratings, Inc.

(26) Risk Management, continued

Credit quality analysis

The tables below show the credit quality analysis of the different types of financial assets ACP maintains, which were classified based on their international risk rating reported by the risk rating agencies. 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.

Trade and other receivables

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

By law, all services provided by ACP, whether transit or commercial services, must be paid in advance, before the service is rendered. The payment can be substituted by a bank guarantee that meets ACP´s requirements.

As of September 30, 2023, the ECL for the trade and other receivables is as follows:

	2023			
	12-month ECL	**Lifetime ECL – not credit impaired**	**Lifetime ECL – credit impaired**	**Total**
Balance at the beginning of the year	37	0	0	38
Financial assets derecognized	(35)	0	0	(35)
New financial assets acquired	56	0	0	56
Balance at the end of the year	58	0	0	58

	2022			
	12-month ECL	**Lifetime ECL – not credit impaired**	**Lifetime ECL – credit impaired**	**Total**
Balance at the beginning of the year	28	117	0	145
Transfer to 12-month ECL	43	(43)	0	0
Net remeasurement of the loss allowance	(31)	(29)	0	(60)
Financial assets derecognized	(12)	(45)	0	(57)
New financial assets acquired	9	0	0	9
Balance at the end of the year	37	0	0	37

26) Risk Management, continued

Bank deposits

As of September 30, 2023, all demand and time deposit accounts were placed in investment grade financial institutions.

	2023			2022		
	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 to Aa3	0	321,740	321,740	30,000	595,678	625,678
A1 -to A3	152,272	1,066,106	1,218,378	0	988,807	988,807
Baa1	244,370	0	244,370	107,942	0	107,942
Baa2	1,104	0	1,104	0	322,678	322,678
Baa3	0	50,864	50,864	0	0	0
Gross carrying amount	397,746	1,438,710	1,836,456	137,942	1,907,163	2,045,105
ECL loss allowance	(1)	(532)	(533)	(10)	(694)	(704)
Carrying amount	397,745	1,438,178	1,835,923	137,932	1,906,469	2,044,401

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:

	2023 12-month ECL	2022 12-month ECL
Balance at the beginning of the year	704	416
Financial assets derecognized	(703)	(415)
New financial assets acquired	532	703
Balance at the end of the year	533	704

Investment securities measured at FVOCI

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

Considering the different political and economic events around the world, ACP continuously monitors the measures adopted by governments and the implications that such measures 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.

(26) Risk Management, continued

At year-end closing of September 30, 2023, the financial statements do not reflect representative impacts related to the impairment of the investment portfolio.

	2023 FVOCI				2022 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 to Aa3	59,924	0	0	59,924	99,363	0	0	99,363
A1 to A3	1,121,972	0	0	1,121,972	1,576,135	0	0	1,576,135
Baa1	743,580	0	0	743,580	855,951	0	0	855,951
Baa2	1,931,941	0	0	1,931,941	996,585	0	0	996,585
Baa3	628,785	0	0	628,785	385,179	0	0	385,179
Gross carrying amounts	4,486,202	0	0	4,486,202	3,913,213	0	0	3,913,213
ECL loss allowance	(1,068)	0	0	(1,068)	(636)	0	0	(636)
Amortized cost	4,485,134	0	0	4,485,134	3,912,577	0	0	3,912,577
Carrying amount	4,484,461	0	0	4,484,461	3,895,429	0	0	3,895,429

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

	2023 12-month ECL	2022 12-month ECL
Balance at the beginning of the year	636	400
Financial assets derecognized	(636)	(400)
New financial assets acquired	1,068	636
Balance at the end of the year	1,068	636

Measurement of the gain or impairment loss

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

	2023		
	Fair value	Amortized cost, before ECL	Unrealized gain or (loss)
Aaa to Aa3	59,987	59,924	63
A1 to A3	1,121,459	1,121,972	(513)
Baa1	743,349	743,580	(231)
Baa2	1,931,635	1,931,941	(306)
Baa3	628,031	628,785	(754)
	4,484,461	4,486,202	(1,741)

(26) Risk Management, continued

	2022		
	Fair value	**Amortized cost, before ECL**	**Unrealized gain or (loss)**
Aaa to Aa3	98,000	99,363	(1,363)
A1 to A3	1,563,772	1,576,135	(12,363)
Baa1	839,714	855,951	(16,237)
Baa2	994,836	996,585	(1,749)
Baa3	399,107	385,179	13,928
	3,895,429	3,913,213	(17,784)

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

	2023	**2022**
Basic materials	192,848	301,347
Communications	315,623	221,925
Consumer, cyclical	136,719	104,393
Consumer, non-cyclical	199,487	395,126
Energy	238,405	351,728
Financials	2,501,901	1,361,338
Government	100,391	0
Industry	339,152	369,290
Technology	155,810	290,259
Services	304,125	500,023
Total	4,484,461	3,895,429

According to the Board of Directors’ Agreement No. 406 of December 13, 2022, which modified agreement 365 of June 25, 2020, 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 ratings is A-3, P-3 or F-3.

- Not more than 80% of its funds in corporate debt instruments with international credit ratings 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.

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 banking institution or issuer are assigned considering the assessment of the following weighted factors:

(26) Risk Management, continued

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 ACP's risk system:

A. Up to B/.250,000
B. Up to B/.180,000
C. Up to B/. 60,000

(27) Leases

ACP maintains leases for buses to provide transportation services to employees and technology equipment, i.e., servers and switches. Generally, the lease contract periods are for one year and up to a maximum of four renewals. Upon completion, a new tender is conducted, and new assets are required. 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 of low value; for which, ACP applies the exemptions for low-value assets and short-term leases.

ACP as lessee

Information about the leases for which 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 changes during the period are detailed below:

	2023	2022
Equipment:		
Balance at the beginning of the year	8,020	8,246
Additions	9,664	5,319
Depreciation for the year	(5,908)	(5,545)
Derecognition	(6)	0
Balance at the end of the year	11,770	8,020

Lease liabilities

As of September 30, 2023, ACP's lease liabilities amounted to B/.12,040 (2022: B/.8,520). See Note 26 for maturity analysis of lease liabilities as of September 30, 2023.

(27) Leases, continued

The following are the amounts recognized in profit or loss:

	2023	2022
Interest on lease liabilities (Note 17)	157	155
Expenses relating to short-term leases	2,655	2,253
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	487	107

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

	2023	2022
Operating activities:		
Interest on lease liabilities (Note 17)	157	155
Expenses relating to short-term leases	2,590	1,956
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	461	94
Financing activities:		
Payments to principal of lease contracts	6,159	5,540
Total cash outflows for leases	9,367	7,745

ACP as lessor

ACP leases its investment properties, such as land and buildings. All leases are classified as operating leases from a lessor's perspective, mainly because they do not substantially transfer all the risks and benefits related to the ownership of the assets.

(28) Related Party Transactions

During fiscal year 2023, ACP executed commercial transactions with the following government institutions:

	Sale of goods and services		Purchase of goods and services	
	2023	2022	2023	2022
Instituto de Acueductos y Alcantarillados Nacionales - IDAAN	34,949	35,971	0	0
Public Works Ministry	4,293	5,552	0	0
Other government entities	4,280	5,155		
Social Security Administration	0	0	82,864	94,679
Fees paid to the Panamanian Treasury	0	0	601,890	600,420
	43,522	46,678	684,754	695,099

(28) Related Party Transactions, continued

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

	Amounts owed by the Republic of Panama		Amounts owed to the Republic of Panama	
	2023	**2022**	**2023**	**2022**
Instituto de Acueductos y Alcantarillados Nacionales - IDAAN	4,172	4,667	0	0
Other government entities	585	549	0	0
Public Works Ministry (Note 20)	0	0	18,899	23,191
Social Security Administration	0	0	30,512	38,775
Public service fees	0	0	141	143
Panamanian Treasury – net ton transit	0	0	48,428	46,949
	4,757	5,216	97,980	109,058

Through fiscal year 2023, ACP acquired and received property from the Republic of Panama for a total value of B/.1,069,346. See Note 5.

As of September 30, 2023, the ACP maintains deposits at Banco Nacional de Panamá for B/.50,000 (2022: B/.0), which have generated interest income for B/.864 during 2023 (2022: B/.0).

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 ACP's usual prices or rates as published in the Commercial Tariff, without discount.

Based on ACP's legal autonomy and financial independence from the government institutions, ACP may only transfer funds for services hired, for acquisition of goods or real estate or for an obligation it has lawfully contracted.

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

On September 30, 2023, ACP paid a total of B/.4,338 (2022: B/.4,308) for remuneration and benefits to its key management personnel. The Board of Directors' allowance for the fiscal year 2023 amounted to B/.721 (2022: B/.724). It is the responsibility of ACP's 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:

	2023	2022
Investment Program - Others	209,730	73,786
Operations	121,978	119,285
Total	331,708	193,071

Commitments of the Investment Program - Others include contracts with the US Army Corps of Engineers, for consulting services and expert technical advice on the Water Management System Program for B/.4,023 (2022: B/.10,293); Astilleros Armon, S.A for the design, construction, testing and delivery of ten hybrid tugboats for B/. 149,875 (2022: B/.0), Nokia Solutions and Networks OY for the design, installation, and configuration of mobile data transmission network in the navigation channel of the Panama Canal for B/.7,303 (2022: B/.0); and R.G. Engineering Inc. for the design and construction for the replacement of the water and compressed air system of the Mount Hope Industrial Complex for B/.3,288 (2022: B/.7,497).

Commitments on operations include contracts awarded: Inventory purchases for B/.31,535 (2022: B/.22,794); Willis Towers Watson for multiperil policy renewal for B/.18,710 (2022: B/.40,319), MAPFRE Panama, S.A. for the annual health-life accident insurance policy for B/.9,129 (2022: B/.10,132); and Relleno Transporte y Equipo, S. A. for the excavation of the eastern slope of Cucaracha Reach (phase 2) for B/.7,104 (2022: B/.9,785).

Guarantees

ACP subscribes contracts to carry out transactions in the domestic energy market, which are guaranteed with compliance bonds issued by a bank with investment grade A+ from Standard & Poor´s. As of September 30, 2023, the active compliance bonds used to guarantee transactions between ACP and ETESA amounted to B/.232 (2022: B/.416), and between ACP and the electricity distribution companies amounted to B/.1,356 (2022: B/.755).

(30) Contingent Liabilities

ACP is exposed to legal risk arising from disputes with contractors and other third parties. The outcome of any current or 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 Arbitration

As of September 30, 2023, there is one arbitration from GUPCSA and its shareholders, other than CUSA (“the Claimants”), against the ACP, the Arbitration of Disruption, which claims amount to B/.3,567,811.

The foregoing constitutes the contingent liability of ACP resulting from the claims under arbitration of plaintiffs, in relation to the Third Set of Locks. This contingent liability has no provisioned funds.

ACP is of the opinion that it has meritorious defenses in all these claims and intends to defend itself vigorously.

(30) Contingent Liabilities, continued

Below is described the general information regarding the status of this arbitration and the process concluded in 2023:

- *Motions to vacate the Concrete and Aggregate Arbitration awards before the US courts*
  The Movants (GUPCSA, Sacyr, Webuild and JDN) sought to overturn the Partial Award and Final Award issued in the Concrete and Aggregate Arbitration which awarded some B/.238,000 to ACP plus costs. These proceedings were initiated in Federal court in Miami, Florida (the Miami Courts) in late November 2020. The Movants have alleged that the Partial and Final Awards should be vacated on multiple grounds, including arbitrator bias and denial of the opportunity to be heard. The motions to vacate the Partial and Final Awards were consolidated into one proceeding and on November 18, 2021, the Miami Courts issued the decision denying the motion to vacate and granting ACP's motion to confirm in relation to both awards. The Movants appealed the Court's decision and on August 18, 2023, the Court of Appeals ruled, rejecting the appeal submitted by the Movants, recognizing the validity and enforceability of the arbitral awards.

- *The Lock Gates Arbitration*
  In December 2016, the Claimants 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, and includes the same claims, resulting in reference ICC Case No. 22465/ASM/JPA (C-22966/JPA). Claimants filed its Statement of Claim at the end of March 2020. ACP submitted its Statement of Defense in December 2020. The main merits hearing took place between 14 March 2022 and 1 April 2022. The Claimants quantified its claims at B/.639,136.

  On May 11th, 2023, the Arbitral Tribunal rendered a Final Award according to which were:

  1. denied all GUPCSA's claims on Lock Gates and Return of Investment.
  2. denied two of the four labour claims and made a "Limited Declaration" pursuant to which the Arbitral Tribunal recognized B/.34.9 million subject to the findings of the disruption tribunal on extension of time; and,
  3. ordered GUPCSA to pay B/. 20.6 million in costs of the arbitration and legal defense.

  On August 7, 2023, the Arbitral Tribunal issued its decision on the request for interpretation of the Final Award requested by the parties, confirming that Claimants shall pay ACP B/.20.6 million in costs of the arbitration and legal defense and that the declaration that GUPCSA could be entitled to an approximate amount of up to B/.34.9 million was subject to the Arbitral Tribunal of the Disruption Arbitration deciding on the merits of the Claimants' claims related to their request for an extension of time in said arbitration, so that the ACP has no obligation to pay GUPCSA any amount at this time.

- *The Disruption Arbitration*
  In December 2016, the Claimants filed their delay and disruption claim. This arbitration was consolidated with another arbitration filed in July 2017 related to exactly the same claims, resulting in ICC Case No.22466/ASM//JPA (C-22967/JPA).

(30) Contingent Liabilities, continued

In a Case Management Conference held on May 2, 2019, the claims were divided into two large tranches, taking into consideration their temporality and a Procedural Timetable was agreed. The Claimants filed their Statement of Claim for Tranche 1 in January 2020, quantifying their claims at B/.1,890,000. Since then, there had been interruption to the timetable, and it was granted a consolidation of both Tranches 1 and 2, as requested by the Claimants. The consolidated Statement of Claim on which the Claimants quantified their claims at B/.3,567,811 was filed on October 15, 2021, and the ACP filed its Statement of Defense on January 30, 2023. On May 17, 2023, the Arbitral Tribunal held a case management conference to discuss the following steps of the arbitration. The Arbitral Tribunal is deciding on the procedural timetable after receiving the parties' submissions at the conference.

On July 21st, 2023, the Arbitral Tribunal set a procedural timetable with the dates of the document production phase and the date for the submission of the Statement of Reply and the Statement of Rejoinder. The merits hearings were scheduled to take place in 2025.

- *Arbitration final awards*

  At the date of the issuance of these financial statements, four (4) of the arbitrations filed by the claimants against ACP under the Arbitration Rules of the ICC concluded with arbitral awards in favor of ACP in relation to the Temporary Cofferdam, Advance Payments, the Concrete Aggregate and Mix Designs and Lock Gates Design and Labor.

Others

ACP maintains marine claims for B/.37,600, miscellaneous claims outstanding for B/. B/.18,322, and other claims related to various construction contracts for B/.303. ACP believes it has meritorious defenses in all these claims and intends to defend itself vigorously.

The notes contained herein describe claims raised against ACP and do not constitute any acceptance of the validity of such claims by ACP, which ACP deny in their entirety.

(31) Climate Related Matters and Business Continuity and Sustainability

The Panama Canal is currently facing a severe drought due to changes in rainfall patterns and other meteorological phenomena such as El Niño, in addition to the increasing consumption of water by the population in the Metropolitan area. To overcome this challenge, the Canal adopted substantial water conservation measures to mitigate the impact in its operations including, among others, as follows:

- Managed draft restrictions as needed,
- Restricted the number of daily transits,
- Implemented cross filling in the Panamax locks,
- Maximized water savings in the Neo-Panamax locks through the efficient use of water recycling basins,
- Minimized changes in direction between north and south transits at Gatún locks, and
- Discontinued certain special transits.

Furthermore, the ACP developed the water projects program since 2021 to assess viable options to strengthen and modernize the water resource management system and identify additional water sources, with the aim to have the required water for the sustainability, for future years, for the consumption by the population and vessels´ transits.

(31) Climate Related Matters and Business Continuity and Sustainability, continued

In line with its efforts to manage water resources by ensuring its quality and volume, the ACP is working on other measures such as: a) a strategic plan to decarbonize its operations; b) adding to the investment program projects such as the relocation of the water intake from Paraíso to Gamboa; c) environmental management in coordination with governmental and non-governmental entities to preserve the quality of water resources and biodiversity; d) contribute to the economic improvement of the communities responsible for the territory; and e) the acquisition of land to protect the Canal watershed from possible sources of environmental threat and support its comprehensive and sustainable development (see Note 5).

Current drought conditions, which are cyclical, could impact Canal revenues and operations in the predictable future. ACP maintains a constant monitoring and assessment of its measures and their results to adjust accordingly, thus ensuring the reliability of its operations on a sustainable basis.

Moreover, in accordance with IFRS, the assessment of the value in use of assets in the Transit CGU under current climate conditions did not show signs of impairment (See Note 5).

(32) Events that Occurred after the Reporting Period

Approval of transfer of surplus to the National Treasury

By means of the Agreement No. 426, the Board of Directors approved at its meeting on December 14, 2023, the transfer to the National Treasury of the surplus corresponding to fiscal year 2023 in the amount of B/.1,942,705 (Note 15). The Agreement was effective as of December 15, 2023, date of its publication in the Panama Canal Record.

Appraisals of land belonging to the economic patrimony of ACP

In the last quarter of calendar year 2023, ACP administration initiated efforts to contract the services of independent experts to appraise the land classified as economic patrimony of the Canal, including the land transferred by the Republic of Panama and land purchased by ACP.

Water conservation measures and transit capacity reduction in transits

From the beginning of the 2023 dry season, the Panama Canal adopted several water saving and conservation measures in transit operations, including the use of water saving basins in the Neopanamax Locks and cross filling its Panamax Locks. Due to the late arrival of the rainy season and the lack of precipitation in the Canal watershed, ACP has been forced to reduce its transit capacity from 36 vessels to approximately 32 vessels per day since July 30, 2023.

Despite these measures, the level of the Gatun Lake has continued to fall to unparalleled levels for this time of the year due to the lack of rain. October 2023 rainfall has been the lowest since 1950 and 2023 is shaping up to be the second driest year in that period. With significantly reduced rainfall projections for the remainder of the year, a further reduction in transit capacity is required to avoid a further decrease in the current draft below 13.41 meters (44 feet) above sea level.

Consequently, as of November 3 and until further notice, the number of reservation slots will be adjusted to 25 and, if the current condition is maintained, other reductions are planned in different periods until reaching the level of 18 reservations per day for February 1, 2024.

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