Risk factors

You should carefully consider the risks and uncertainties described below and the other information in this offering memorandum before making an investment in the Notes. The risks described below are not the only ones being faced by the Company or investments in Panama in general. The Company's business, financial condition or results of operations could be materially and adversely affected by any of these risks. There are a number of factors, including those described below, which may adversely affect our ability to make payment on the Notes. Additional risks not presently known to the Company or that we currently deem immaterial may also impair its business operations.

Risks Related to the Notes

The Notes will be unsecured

The Notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes will be the Company's direct unsecured unsubordinated obligations and will rank pari passu in right of payment with each other and with all other present and future unsecured and unsubordinated obligations of the Company that are not, by their terms, expressly subordinated in right of payment to the Notes, other than statutory preferred obligations

Accordingly, in any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness and may consequently receive payment from these assets before they may be used to pay other creditors, including the holders of the Notes.

In addition, the Notes are obligations exclusively of the Company and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes, and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Therefore, in any bankruptcy, liquidation or similar proceeding, all claims of creditors (including trade creditors) of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. In addition, future debt and security agreements entered into by our subsidiaries may contain various restrictions, including restrictions on payments by our subsidiaries to us and the transfer by our subsidiaries of assets pledged as collateral.

The public auction at the Latin American Exchange will allow any investor to submit a bid for the full principal amount of the Notes and the bidder submitting the highest, and in the case of parity the earliest, bid would have the right to purchase the Notes. If a bidder different from the Purchasers submits a higher or an equal but earlier bid, you will not receive the Notes on the issue date as the Company will abstain from selling and the offering will be cancelled in consideration to the liabilities that the Company could face under the Note Purchase Agreement

The offering of the Notes on the Latin American Exchange on the issue date will be conducted pursuant to a public auction process whereby parties other than the Purchasers may also lodge bids for the full principal amount of the offering at prices other than the offer price set forth on the cover of this offering memorandum. Consequently, settlement of the Notes pursuant to the terms set forth in this offering memorandum will be conditioned upon, among other factors, the Purchasers' success in making the winning bid on the Latin American Exchange for the Notes as part of the public auction process. If, as a part of the public auction process, a party other than the Purchasers were to (i) make a bid for the Notes at a higher price than that contained in the Purchasers' bid and reflected on the cover of this offering memorandum or (ii) place an bid for an equivalent price earlier than the bid submitted by the Purchasers, the Company will immediately withdraw and cancel the offering of Notes. If the Company cancels the offering of the Notes, the Purchasers would be unable to purchase the Notes for subsequent resale to you. Consequently, the Company cannot assure you that you will ultimately be able to receive Notes on the Issue Date. See "Plan of Distribution—Settlement—Panamanian Settlement Process" for more information.

Investors should consider the risks of selling the Notes in the secondary market prior to the issue date as settlement is conditioned on the Purchasers having the winning bid on the Latin American Exchange and even if the Purchasers do have the winning bid, settlement delays may result in delivery to investors of Notes on the business day following the intended settlement date

If, as a part of the public auction process in Panama, a party other than the Purchasers were either to lodge a bid for the Notes at a higher price than the offer price contained in the Purchasers' bid and reflected on the cover of this offering memorandum, or if such other party placed an equivalently priced bid for the Notes earlier than the bid submitted by the Purchasers, the Company will immediately withdraw and cancel the offering of Notes. If the offering is cancelled, it would not be possible to complete settlement of any secondary market trades. Additionally, any delay in settlement as described above could cause complications for investors that conducted trades in respect of the Notes in the secondary market if such trades are scheduled to settle prior to the time that they receive Notes in their account.

The Notes may not be freely transferred in the U.S.

The Notes have not been registered in the U.S., and will not be registered in the U.S., under the Securities Act or any other applicable U.S. securities laws. Rather, the offering of the Notes in the U.S. will be made pursuant to exemptions from, and in transactions not subject to, the registration provisions of the Securities Act and from state securities laws that limit who may own the Notes. Accordingly, the Notes are subject to certain restrictions on resale and other transfer thereof in the U.S. Consequently, a holder of Notes and an owner of beneficial interests in those Notes must be able to bear the economic risk of their investment in the Notes for the term of the Notes.

The Company's obligations under the Notes are subordinated to our payment of certain statutory liabilities

The Notes will be direct unsecured unsubordinated obligations. Under Panamanian law, such unsecured obligations are subordinated to certain statutory preferences. In the event of bankruptcy, reorganization, insolvency or liquidation, such statutory preferences, such as claims for salaries, wages and credits guaranteed over assets (but up to the value of such assets), social security contributions, taxes, court fees and expenses, will have preference over any other unsecured claims, including the claims by any investor in respect of the Notes.

The Company is controlled by **its controlling shareholders, which have the power to take unilateral action and may have conflicts of interest with ENSA or you in the future**

The Panamanian Government beneficially owns approximately [48.25]% of the Company's common stock and Empresas Públicas de Medellín E.S.P. ("EPM") owns [100]% of the shares of PDG, which owns [51]% of the Company's common stock. As a result, these controlling shareholders control the Company's affairs and policies and its decision to enter into any corporate transaction that requires approval of equity holders. Circumstances may occur in which the interests of the Company's controlling shareholders conflict with the interests of the holders of the Notes. In addition, the Company's controlling shareholders may have an interest in pursuing acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment in the Company, even though such transactions might involve risks to holders of the Notes.

It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.

We have been advised by our Panamanian counsel that no treaty exists between the U.S. and Panama for the reciprocal enforcement of foreign judgments and that there is no certainty as to the enforceability, in original actions in Panamanian courts, of liabilities arising solely on United States federal securities laws and as to the enforceability in Panamanian courts of judgments by United States courts obtained in actions predicated upon the civil liability provision of the United States federal securities laws. In any case, judgments of courts outside Panama, including but not limited to judgments of United States courts, may only be recognized and enforced by the courts of Panama in the event that the Supreme Court of Panama validates the judgment by issuing a writ of exequatur. Subject to a writ of exequatur, any final money judgment rendered by any foreign court will be recognized, conclusive, and enforceable in the courts of Panama without reconsideration of the merits, provided that (i) such foreign court grants reciprocity to the enforcement of judgments of courts of Panama, (ii) the party against whom the judgment was rendered, or its agent, was personally served (service by mail not being sufficient) in such action within such foreign jurisdiction, (iii) the judgment arises out of a personal action against the defendant, (iv) the obligation under the judgment is lawful in Panama and does not contradict the public policy of Panama, (v) the judgment, in accordance with the laws of the country where it was rendered, is final and not subject to appeal, (vi) the judgment is properly authenticated by diplomatic or consular officers of Panama, or pursuant to the 1961 Hague Convention on the legalization of documents, and (vii) a copy of the final judgment is translated into Spanish by a licensed translator in Panama.

In addition, we have been advised by our Panamanian legal counsel that pursuant to Article 4 of the sole text of Panama Law No. 26 dated January 29, 1996 and due to our status as a concession recipient in Panama's energy sector, creditors and other plaintiffs may not have access to certain pre-judgment measures that would otherwise be available in Panamanian courts under normal circumstances, such as the right to request an attachment or embargo or other precautionary measure, in order for the court to grant such plaintiff control of our operations for the duration of any proceeding instituted against us.

Substantially all of our directors and officers are residents of Panama or elsewhere outside the United States, and all or a significant portion of the assets of those persons may be, and the most significant portion of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, or to enforce against them judgments predicated upon the civil liability provisions of U.S. federal securities laws, or otherwise obtained, in U.S. courts. Because all or a substantial portion of our assets are located outside the United States, any judgment obtained in the United States against us may not be fully collectible in the United States.

The Notes are subject to certain events of default and potential acceleration

The Notes are subject to certain events of default. If such events of default occur, noteholders in certain circumstances may accelerate the Notes. See "*Description of the Notes—Events of Default*."

The terms of the Notes may be amended pursuant to the terms of the Indenture as described herein

Any amendment to the terms of the Notes and the Indenture shall comply with the provisions of the Indenture as described in "*Description of the Notes—Modification of the Indenture*," as well as Accord 4-2003 of April 11, 2003, or Accord 7-2020 of May 31, 2020 (as applicable), both as amended, restated or replaced, or any other applicable regulation.

The Notes may be redeemed prior to their stated maturity

The Notes may be redeemed in part prior to their stated maturity upon the occurrence of certain events. If any portion of the Notes is redeemed prior to maturity, you may not realize your expected yield on the Notes and you may not be able to reinvest the proceeds of an early redemption in instruments having the same or a similar risk profile as the Notes or providing returns at least equal to those of the Notes.

Fixed Rate Investment

The Notes will pay to its holders a fixed interest rate. If the average interest rates increase while the Notes are outstanding, the holders of the Notes will lose the opportunity to invest in other fixed rate instruments that may generate higher earnings.

Risk of Use of Proceeds

The net proceeds from the issuance of the Notes will be used to pay in full approximately US$[100] million of certain current outstanding short-term indebtedness of ENSA that is due in July 2021 and pay the expenses of the offering of the Notes. It will be the responsibility of the Company to use the proceeds of the Notes as set forth in this Offering Memorandum.

Risk of Affirmative and Negative Covenants

While the Notes are outstanding, the Company will be obligated to comply with, the terms, covenants, agreements and obligations set forth in the Notes and the Indenture. If the Company fails to perform, or breach, any term, covenant, agreement or obligation contained in the Notes or the Indenture and, an event of default is declared and accelerated, all of the Notes shall immediately become due and payable.

Risks Relating to the Company and its business

Financial Leverage Risk, ROA and ROE

Financial Leverage: If we issue all of our Notes pursuant to this Offering Memorandum, our financial leverage, in terms of total liabilities in total paid capital will be [2.86]x.

Return on Assets: Our return on assets was [6.1]% in 2020, [9.0]% in 2019 and [8.1]% in 2018.

Return on Equity: Our return on equity was [10.2]% in 2020, [18.3]% in 2019 and [19.5]% in 2018.

Liabilities: A high level of indebtedness may adversely affect our financial condition and our ability to repay our Notes.

Interest Rates

The net margin of the Company may be affected by fluctuations in the interest rate. Future cash flows and the value of financial instruments may fluctuate due to changes in the market interest rates.

The global COVID-19 pandemic may continue to, adversely affect our business, financial condition and results of operations.

The COVID-19 pandemic has disrupted the global economy and placed unprecedented strain on governments, health care systems, educational institutions, businesses, and individuals around the world. The impact and duration of the COVID-19 pandemic are difficult to assess or predict. It is even more difficult to predict the impact on the global economy, which will depend upon the responses by governments, businesses and other enterprises to the COVID-19 pandemic with respect to distribution and application of COVID-19 vaccines. The COVID-19 pandemic has already caused, and is likely to result in further, significant disruption of global financial markets and economic uncertainty. Adverse market conditions resulting from the spread of COVID-19 could materially adversely affect our business, results of operations and financial condition.

In response to the COVID-19 pandemic and the ensuing negative economic outlook, the Panamanian Government, in an effort to safeguard the public health, adopted a series of protective measures and actions, including temporary closure of certain businesses and industries and limiting the mobility of residents.

The COVID-19 pandemic has had, and continues to have, a disruptive effect on ENSA, both directly and indirectly through its impact on its customers, counterparties, employees and other stakeholders, as a result of, among other things, protective measures taken by the Panamanian Government in order to mitigate the impact of the virus. As of the date of this Offering Memorandum, the impact of the COVID-19 pandemic is uncertain, and it is difficult to predict the spread or duration of the COVID-19 pandemic. Given the uncertainty around the extent and timing of the future spread of COVID-19 and, in turn, the potential imposition of additional protective measures or the relaxation of existing measures, it is not possible to predict the full extent of the effects that the COVID-19 pandemic will have on the business, operations or financial condition of ENSA, as well as on those of their counterparties and other stakeholders.

By way of Resolution AN No. 16451-Elec of November 12th, 2020, ASEP established that neither the distribution companies nor large customers (*grandes clientes*) with indirect customers, were able to suspend the energy supply, in the cases set forth in Law 6 of February 3, 1997; as well as in the Distribution and Commercialization Regulations, to those customers that were benefited by Law No. 152 of May 4, 2020 (which established a moratorium in the payment of the electric energy services for 4 months –March, April, May and June 2020) and its regulation through Executive Decree No. 291 of May 13, 2020, which impacted us financially and operationally since, we were not able to carry out energy supply cut-offs to delinquent customers that were benefited by Law 152 of 2020.

By way of Resolution AN No. 16592 – Elec of January 21st, 2021, ASEP established that as of February 1st, 2021, the energy distributing companies are allowed to suspend the electric energy supply, in compliance with applicable laws and regulations, to those customers benefited by Law No. 152 of May 4, 2020.

By way of Resolution AN No. 16605-Elec of January 28th, 2021, ASEP established that as of March 1st, 2021, we are allowed to suspend the electric energy supply to those customers benefited by Law No. 152 of May 4, 2020, provided that the applicable laws and regulations (such as permitting that the clients can carry out payment arrangements as set forth in the laws) are complied with, but there is no assurance that the Panamanian Government will not issue new regulations that would in some way limit our ability to suspend electric energy supply in case on non-payment by our customers.

Expiration of the Concession Contract without renewal could impair ENSA's ability to repay its indebtedness

ENSA operates its distribution network pursuant to a Concession Contract with the Panamanian Government. The Concession Contract expires in October 2028. The Panamanian Government may elect to allow the Concession Contract to expire without renewal.

ENSA may be adversely affected by the application and interpretation of regulations that could affect its revenues

As an electricity distribution company, ENSA is subject to extensive regulation by the Panamanian Government through ASEP. Accordingly, the results of operations depend upon the applicable regulatory framework and its interpretation by ASEP. The regulatory framework governing electric utility businesses was implemented in 1997. ENSA is generally required to obtain and comply with a wide variety of licenses, permits and other approvals in order to operate our facilities. Currently, the Company is in compliance with existing regulations, but may incur additional costs as a result of its compliance with future requirements. If ENSA fails to comply with these regulations, the Company could be subject to penalties such as the imposition of liens or fines without any attendant criminal or civil liability, the termination of the Concession Contract and the exercise of the performance bond granted to the Panamanian Government under ENSA's Concession Contract. In addition, existing regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to ENSA or its facilities, and future changes in laws and regulations including changes to rules and regulations with respect to transmission charges and price regulations for distributors may have a detrimental effect on the Company's business and financial results.

Substantial rate increases for customers, or a failure by the Panamanian Government to continue to provide subsidy payments to the Company for required rate increases that the Company is not allowed to pass along to its customers, could adversely affect ENSA's business, liquidity and profitability

For the past several years and through the most recent tariff adjustment period which will end June 2022, increases in electricity distribution companies' rates charged to customers through the rate adjustment process, which is required under the regulatory structure for the electricity industry, were not fully passed through but were partially passed through to customers in the form of tariff increases with the remaining amount subsidized by the Panamanian Government. The Panamanian Government's failure to provide subsidy payments to ENSA for required rate increases that it is not allowed to pass on to customers would result in us not fully recovering certain increased costs as permitted by existing regulations. In addition, a decision by the Panamanian Government to pass future substantial rate increases entirely through to customers may result in the inability of some customers to make required payments. Either of these events could adversely affect the Company's ability to pay electricity generators and negatively impact the Company's business, liquidity and profitability and may affect its ability to meet its obligations under the Notes.

The Company's business performance may be affected by the nature of its response to various operating risks typically faced by electricity distribution companies

ENSA faces a number of operating risks applicable to electricity distribution companies including:

- periodic service disruptions and variations in power quality in our electricity distribution network, which may result in significant revenue loss and potential liabilities to third parties;
- fluctuations in aggregate consumer demand for electricity in line with prevailing economic conditions, which could result in decreased revenues;
- the inability of electricity generation licensees to generate sufficient electricity for transmission to ENSA, and in turn for distribution by ENSA to its customers, which would affect the availability of electricity supply over our electricity distribution networks;
- failures and faults in the electricity transmission system in Panama or in the electricity generation facilities of electricity generation companies in Panama, neither of which the Company controls;
- system failure affecting our information technology systems or those of other electricity industry participants, which could result in loss of certain operational capacities or critical data;
- environmental costs and liabilities arising from our operations, which may be difficult to quantify and could affect results of operations;
- certain levels of energy loss, whether arising from technical reasons inherent in the normal operation of electricity distribution systems or arising from non-technical reasons (such as theft, fraud and inaccurate billing), which results in lost revenues

As ENSA engages only in the electricity distribution business, results of operations may also be exposed to a greater degree of fluctuation as compared to electricity companies that have more diversified operations, such as those that vertically integrate electricity generation, transmissions and distribution.

Failure of transmission lines owned by ETESA may adversely affect the Company's operating results

Damage to either the connection line linking ENSA to Panama's national interconnected electricity system, or to the National Interconnected System itself, could prevent the Company from receiving electricity it has contracted to purchase. A failure to deliver electricity to regulated customers could result in the imposition of certain penalties and would affect financial results.

ENSA is subject to environmental and health and safety laws and regulations

ENSA is subject to a broad range of environmental, health and safety laws and regulations in Panama which expose it to the risk of substantial costs and liabilities. These laws and regulations relate to, among other things, limits on emissions, water and air quality, noise, the forest habitat, minimizing risks to the environment while maintaining the quality, safety and efficiency of the electricity sector and the use and handling of hazardous materials and waste disposal practices. In July 1998, the Panamanian Government enacted environmental legislation creating an environmental protection agency (ANAM) (today, the Ministry of Environment) and imposing new environmental standards affecting our operations with which we believe we are in compliance. Failure to comply with applicable environmental standards, stricter laws and regulations, or stricter interpretation of existing laws or regulations, may impose new liabilities, resulting in the need for additional investments or adversely impact our ability to complete future projects. This may adversely affect the Company's business, financial condition and results of operations in the future.

Property may be damaged and our business interrupted or impaired by the occurrence of a natural disaster

Although ENSA builds its electricity infrastructures to withstand natural forces, and the Company has adopted procedures to follow in the event of a natural disaster, a natural disaster could severely impact physical assets or cause an interruption in the Company's ability to deliver electricity. Although ENSA maintains an "all risk" insurance policy covering physical damage and business interruption, there can be no assurance that the scope of damages suffered by the Company in the event of a natural disaster would not exceed the policy limits of the insurance. In addition, the effects of a natural disaster on Panama's economy could be severe and prolonged, leading to a decline in demand for the electricity services. The occurrence of a natural disaster, particularly one that causes damages in excess of insurance policy limits, could have a material adverse effect on our business, financial condition and results of operations.

Labor relations could affect the business

As of [March 31, 2021], ENSA and its subsidiary (Ensa Servicios, S.A.) employed 639 people, 435 of which are represented by the Sindicato de Trabajo de la Industria Eléctrica y Similares de la República de Panamá, or the Electricity Industry Labor Union, a national labor union representing electricity industry workers. Under applicable labor regulations, utility workers are not allowed to engage in work stoppages or strikes that affect the delivery of utilities services. However, if employees were to engage in strikes or other work stoppages, including sabotage, the Company could experience a significant disruption of our operations and higher ongoing labor costs, which could have an adverse effect on its business, financial position or results of operations.

Risks Relating to Panama

Panama's economic and political situation may adversely affect ENSA's financial results and its ability to repay the Notes

All the Company's operations and current customers are located in Panama. Accordingly, ENSA's financial condition and results of operations, including its ability to meet its obligations under the Notes, are substantially dependent on economic and political conditions prevailing from time to time in Panama. According to official Panamanian Government figures, Panama's GDP grew by 3.7% in [2018], and 3.0% in [2019]. In 2020, Panama's GDP decreased by 17.9%.

The Panamanian economy is small and relatively undiversified, being largely focused on the service sector, a significant portion of which consists of businesses linked to Panama Canal activities, a large free trade zone, and an international banking center. Since the Company's operations are focused on the Panamanian domestic market, results of operations and financial conditions are necessarily dependent on the local economy and the effect the economy has on customers. Due to the small size and limited focus of the Panamanian economy, adverse developments in Panama could have a more pronounced effect than would be the case if the developments occurred within the context of a larger, more diversified economy.

ENSA may be adversely affected by future political crises in Panama

Panama's economy has experienced different types of government and governmental policies. Prior to 1968, Panama generally had a constitutional democracy and a growing economy. In 1968, the military secured control over the Panamanian Government and military rule continued until 1987, when a political crisis erupted among the then ruling military dictator, General Manuel Antonio Noriega, civilian organizations, political parties and the business community, which had been agitating for a return to democratic rule. In December 1989, Mr. Noriega was deposed, largely as a result of U.S. military intervention, and Guillermo Endara, who had been elected by an overwhelming majority of Panama's population in a popular vote earlier in the year, was sworn in as President. Since the end of 1989, the Panamanian Government has maintained political and economic stability under successive democratically elected governments, and favorable relations with the U.S. have been fully restored. However, in view of the past instability of the Panamanian Government, there can be no assurance that the Company's operations would not be adversely affected in the event of any future political crisis in Panama.

The Company may be adversely affected by governmental policies

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

Since the Panamanian monetary system is dependent on the U.S. dollar, any downturns in the U.S. economy may adversely affect us

Since 1904, Panama has used the U.S. dollar as legal tender and its sole paper currency, using the Balboa only as coinage and as a unit of account with an exchange rate set at parity with the U.S. dollar. Panama's monetary system is unique in the emerging markets in that it is limited in its ability to conduct an expansionary monetary policy and can finance public sector deficits only through borrowing. Given the relationship of the Panamanian monetary system to the U.S. dollar and, indirectly, Panama's dependence on the U.S. economy, there can be no assurance that appreciation or depreciation of the U.S. dollar against other Euro covered currencies or the existence of sustained higher levels of inflation in the U.S. economy (and the resultant effect on the value of the U.S. dollar) or increases or decreases in interest rates in the U.S. will not adversely affect the Panamanian monetary system.

Adverse political and economic conditions in other Latin American countries may adversely affect ENSA

From time to time, the economies of other Latin American countries, particularly those in Central America, Brazil, Mexico and Argentina, have suffered from high rates of inflation, currency devaluation and/or other developments that have had an adverse effect not only on their economies but also on the economies of other countries in the region. Although all of the Company's activities are concentrated in Panama, it may still be affected by adverse developments in other Latin American economies.

Other risks

ENSA may also be affected by certain market risks including those described in this offering memorandum, which relate to liquidity, interest rates, regulatory tariff resets, customer credit and inflation.