

IMPORTANT NOTICE

DRAFT PRELIMINARY OFFERING MEMORANDUM DATED JUNE 3, 2021

THIS DOCUMENT IS A DRAFT OF THE PRELIMINARY OFFERING MEMORANDUM (THE “DRAFT PRELIMINARY OFFERING MEMORANDUM”). THE DRAFT PRELIMINARY OFFERING MEMORANDUM IS IN DRAFT FORM ONLY AND IS INTENDED TO BE SUPERSEDED. NO INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE DRAFT PRELIMINARY OFFERING MEMORANDUM.

The Draft Preliminary Offering Memorandum is incomplete and is subject to amendment and completion. The terms of the transactions and issue of the securities described in the Draft Preliminary Offering Memorandum (the “**Notes**”) are not yet final and are subject to updating, further negotiation, amendment, verification and completion. In particular, the Draft Preliminary Offering Memorandum has not been reviewed by any rating agency, and the listing of the Notes has not been approved by any stock exchange. Additionally, the terms of certain documents referred to in the Draft Preliminary Offering Memorandum are subject to further negotiation, review, update and amendment.

Recipients of the Draft Preliminary Offering Memorandum who intend to purchase the Notes following publication of the final form of the preliminary offering memorandum (the “**Preliminary Offering Memorandum**”) are reminded that any such application may only be made on the basis of the information contained in the Preliminary Offering Memorandum, as supplemented by the final pricing term sheet with respect to the Notes, which may be different from the information contained in the Draft Preliminary Offering Memorandum. No reliance may be placed for any purpose whatsoever on the information contained in the Draft Preliminary Offering Memorandum or on its completeness. No representation or warranty, express or implied, is given by any of HSBC Securities (USA) Inc., Scotia Capital (USA) Inc., the issuer of the Notes or any of their respective affiliates or any of the other persons mentioned in the Draft Preliminary Offering Memorandum as to the accuracy of the information or opinions contained in this Draft Preliminary Offering Memorandum, and no liability is accepted by any of the foregoing or any other person for any such information or opinions.

Confirmation of your Representation, Warranty, Agreement and Acknowledgment: By accepting and accessing this document, you represent, warrant, agree and acknowledge that:

1. The Draft Preliminary Offering Memorandum is being sent to you at your request.
2. The Draft Preliminary Offering Memorandum is in draft form only and will be amended and superseded in all respects by the Preliminary Offering Memorandum. The Draft Preliminary Offering Memorandum and the terms of the transactions and issue of the Notes described in the Draft Preliminary Offering Memorandum are not yet final and are subject to updating, further negotiation, amendment, verification and completion.
3. Any investment decision by you as to any purchase of the Notes will be made solely on the basis of information contained in the Preliminary Offering Memorandum, as supplemented by the final pricing term sheet with respect to the Notes, and no reliance will be placed by you on the completeness or accuracy of the information contained in the Draft Preliminary Offering Memorandum or in any other information provided to you by any person prior to the issue of the Preliminary Offering Memorandum.
4. The Draft Preliminary Offering Memorandum does not constitute or form part of any offer or invitation to purchase, or any solicitation of any offer to subscribe for, the Notes in any jurisdiction, nor shall it or any part of it form the basis of, or be relied upon in connection with, any contract for the Notes. Any such offering will be made only pursuant to the Preliminary Offering Memorandum.
5. The contents of the Draft Preliminary Offering Memorandum are highly confidential, and you will not forward, distribute, publish, reproduce or disclose (in whole or in part) this Draft Preliminary Offering Memorandum or its contents to any other person.
6. The Draft Preliminary Offering Memorandum may contain material, non-public information and the United States securities laws prohibit any person who has material, non-public information about an issuer of securities from purchasing or selling securities of such issuer or from communicating such material, non-public information to any other person.
7. You are a person into whose possession the Draft Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you will not deliver or transmit this document, electronically or otherwise, to any other person.

8. You understand that any offering and sale of the Notes will not have been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and are intended to be exempt from registration under the Securities Act pursuant to Section 4 thereof.
9. You are either:
 - a. (i) a "qualified institutional buyer" as defined by Rule 144A under the Securities Act (a "**QIB**") acting for your own account or (ii) a QIB acting for the account of one or more QIBs and, to the extent you subsequently purchase the Notes, you will be doing so in reliance on Rule 144A under the Securities Act;
 - b. an institutional "accredited investor" within the meaning of Rule 501(a)(1),(2),(3) or (7) under the Securities Act (an "**Institutional Accredited Investor**"); or
 - c. a non-U.S. person located outside the United States, as defined in Regulation S under the Securities Act and, to the extent you subsequently purchase the Notes, you will be doing so pursuant to Regulation S under the Securities Act.
10. You have sufficient knowledge and experience in financial and business matters so as to be capable of independently evaluating the merits and risks of an investment in the Notes, and you are able to bear the economic risk of any such investment. You are aware of the risks inherent in investing in an issuer with a limited operating history and limited revenues. Upon receipt of the Draft Preliminary Offering Memorandum, you will review the disclaimers and risk factors set out therein and will consider these and other potential risks.
11. You understand and agree that the Notes may not be re-offered, resold, pledged or otherwise transferred except for any offer, resale, pledge or other transfer of the Notes or any beneficial interest therein in a transaction exempt from the registration requirements of the Securities Act to (i) a QIB, acting on its own account or the account of one or more QIBs, (ii) an Institutional Accredited Investor which has delivered an IAI Investment Letter, or (iii) a non-U.S. person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act and in accordance with all applicable securities laws of the states of the United States.
12. You acknowledge that the Issuer, the Purchasers, the Placement Agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

You consent to the delivery of the Draft Preliminary Offering Memorandum and any amendments or supplements thereto by electronic transmission.

THESE NOTES ARE CURRENTLY IN THE PROCESS OF BEING REGISTERED WITH THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA, AND, THEREFORE, THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS SUBJECT TO REVISION AND CHANGES THAT MAY SUBSTANTIALLY VARY THE TERMS AND CONDITIONS OF THE OFFER DESCRIBED. THIS DOCUMENT IS DISTRIBUTED FOR INFORMATION PURPOSES ONLY.

Elektra Noreste S.A.

\$[] Senior Unsecured Notes due []

Prospectus printed as of [], 2021

Elektra Noreste, S.A. ("Elektra Noreste" "ENSA" the "Company" or the "Issuer") is a *sociedad anónima* organized under the laws of the Republic of Panama ("Panama"), through public deed number 143 of January 19, 1998 of the Second Notary Public of the Circuit of Panama, domiciled in the Republic of Panama, registered in jacket 340439, roll 57983, image 56 of the Mercantile Section of the Public Register, since January 22, 1998. Its commercial address is ENSA's Building Santa Maria Business District, Juan Diaz Panama.

ENSA will issue US\$[] Senior Unsecured Notes, which will mature on [] (the "Notes"). The Issuer will pay an interest rate on the Notes of []%, payable semi-annually in arrears on each [] and [] commencing on [], calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be unsecured. The Notes will rank *pari passu* in right of repayment with the other unsecured senior Indebtedness of the Company. The ratio of the total principal amount of the Notes being offered to the paid-in capital (defined as common shares plus additional paid-in capital) of the Company is [] to 1.00.

This Memorandum is furnished to you on a confidential basis for your use solely in connection with your consideration of investing in the Notes to be issued by ENSA. This Memorandum is not intended to provide the primary basis for any decision about, or evaluation of, the Notes and should not be considered as a recommendation that you participate in the proposed transaction. The information contained herein has been prepared to assist interested parties in making their own evaluation of the Company and does not purport to contain all of the information a prospective purchaser may desire.

THE PUBLIC OFFERING OF THE NOTES HAS BEEN AUTHORIZED IN PANAMA BY THE PANAMANIAN SUPERINTENDENCY OF CAPITAL MARKETS (*SUPERINTENDENCIA DEL MERCADO DE VALORES DE PANAMÁ*, OR "SMV"). THIS AUTHORIZATION DOES NOT IMPLY THAT THE SMV RECOMMENDS INVESTING IN THE NOTES NOR DOES IT REPRESENT A FAVORABLE OR UNFAVORABLE OPINION ON THE ISSUER'S BUSINESS PROSPECTS. THE SUPERINTENDENCY OF CAPITAL MARKETS WILL NOT BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PRESENTED IN THIS OFFERING MEMORANDUM OR OF THE DECLARATIONS CONTAINED IN THE REGISTRATION APPLICATION OR THE OTHER DOCUMENTATION AND INFORMATION PRESENTED BY US FOR THE REGISTRATION OF THE PUBLIC OFFER.

THE LISTING AND TRADING OF THE NOTES HAS BEEN AUTHORIZED BY THE LATIN AMERICAN EXCHANGE. THIS AUTHORIZATION DOES NOT IMPLY ANY RECOMMENDATION OR OPINION REGARDING THE NOTES OR THE ISSUER.

The offering date, the issue date, the interest rate on the notes, the interest payment dates and the date of any potential redemption of the notes will be notified to the SMV and the Latin American Exchange (Bolsa Latinoamericana de Valores, S.A.) by means of the delivery of a supplemental prospectus no later than the business day prior to the Panamanian Public Auction (as defined herein).

On or prior to the date the Notes are issued, the Notes are expected to have been rated "[]" by []. A CREDIT RATING DOES NOT GUARANTEE THE REPAYMENT OF THE NOTES NOR IS IT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND MAY BE SUBJECT TO REVISION OR WITHDRAWAL AT ANY TIME.

IF OFFERED, THE NOTES WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, EXCEPT FOR PANAMA (AS MENTIONED ABOVE) AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE

Neither the Securities and Exchange Commission of the United States nor any state securities regulatory authority in the United States has passed on the accuracy or adequacy of this Memorandum. Any representation to the contrary is unlawful. The purchasers must bear the risk associated with holding the investment for an indefinite period of time since the Notes have not been registered under the Securities Act or any state securities laws, and may not be transferred or resold except as permitted pursuant to registration or exemption there from under the Securities Act and applicable state securities laws. There will be no undertaking to register the Notes hereafter, and the Company has not agreed to provide registration rights to any purchaser.

Investing in the Notes involves certain risks. For a discussion of these risks, see "Risk Factors".

CONFIRMATION OF YOUR REPRESENTATION: In the U.S., in order to be eligible to view this Memorandum or make an investment decision with respect to the Notes, you must be [(1) an institutional "qualified investor" within the meaning of Rule 501(a)(1),(2),(3) or (7) under the U.S. Securities Act who is willing and able to conduct an independent investigation of the risks of ownership of the Notes and who will be required to represent that such investor is purchasing the Notes for investment or (2) outside the United States and not a U.S. person in accordance with Regulation S under the Securities Act; provided that any purchaser of the Notes must be an "qualified investor" within the meaning of Rule 501(a)(1),(2),(3) or (7) of the Securities Act.] By accepting this Memorandum, you shall be deemed to have represented to us that you meet the above requirements. You are reminded that this Memorandum has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Memorandum to any other person. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

TO THE EXTENT THAT THE SPANISH TRANSLATION OF THIS OFFERING MEMORANDUM USED IN CONNECTION WITH THE OFFERING OF THE NOTES CONFLICTS WITH THIS OFFERING MEMORANDUM IN ENGLISH, THIS OFFERING MEMORANDUM IN ENGLISH SHALL GOVERN AND CONTROL. *EN LA MEDIDA QUE LA TRADUCCIÓN AL ESPAÑOL DE ESTE PROSPECTO INFORMATIVO EN IDIOMA INGLÉS UTILIZADO EN RELACIÓN CON LA OFERTA DE LOS BONOS CONTRADIGA O PRESENTE UN CONFLICTO CON EL PROSPECTO INFORMATIVO EN IDIOMA INGLÉS, ÉSTE ÚLTIMO REGIRÁ Y CONTROLARÁ.*

Summary of the Notes offered hereby

	Price to investors	Expenses ^(a)	Net proceeds to Issuer
Total:	U.S.\$	Approximately U.S.\$	U.S.\$
[•]	[•]	[•]	[•]

(a) Includes the Purchaser's discount and other offering expenses payable by us.

HSBC Securities (USA) Inc. and Scotia Capital (USA) Inc.
Placement agents

The date of this offering memorandum is: , 2021.

SMV Resolution No. [] dated [], 2021.

Printing date: , 2021.

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Section 1

Notice to Investors

Notice to Investors

For the purpose of this Memorandum the terms “ENSA”, “Issuer” and the “Company” refer to Elektra Noreste, S.A. and/or its subsidiaries as appropriate.

This Offering Memorandum (“Memorandum”) is furnished to you in connection with your consideration of the purchase of the senior unsecured notes (the “Notes”) of ENSA. This Memorandum is not intended to provide the primary basis for any decision about, or evaluation of, the Notes (including evaluation of the creditworthiness of ENSA) and should not be considered as a recommendation that you participate in the proposed transaction.

The information contained in and accompanying this Memorandum has been prepared by the Company and obtained from other sources identified herein, and has not been verified by HSBC Securities (USA) Inc. (“HSBC”) and Scotia Capital (USA) Inc. (“Scotiabank”, and together with HSBC, the “Placement Agents”), acting as the Placement Agents. The Placement Agents make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information or as to any other matter concerning such information or this Memorandum (or the validity, completeness or adequate disclosure of assumptions underlying any estimates, forecasts or projections contained herein). The Placement Agents have not undertaken to review the financial condition, projections, business or affairs of the Company, or any subsidiaries or affiliates of the Company, at any time or to advise any investor or potential investor of any information in its possession or coming to its attention. The Placement Agents make no representation or warranty, expressed or implied as to the accuracy or completeness of any written or oral communication transmitted or made to a recipient hereof. In all cases, recipients should conduct their own investigation and analysis of the transaction described herein.

[In addition to publicly offering the notes in Panama, the Notes described herein are being offered privately to “institutional accredited investors” as such term is defined in Regulation D of the U.S. Securities Act of 1933, as amended, (the “Act”).] Neither the Securities and Exchange Commission nor any state securities regulatory authority in the U.S. has passed on the accuracy or adequacy of this Memorandum or the information herein. Any representation to the contrary is unlawful. This Memorandum does not constitute an offer or solicitation in any state or other jurisdiction in which such offer or solicitation would not be in compliance with the securities or blue sky laws of such jurisdiction. The purchasers must bear the risk associated with holding the investment for an indefinite period of time since the Notes have not been registered under the Act or any state securities laws, and may not be transferred or resold except as permitted pursuant to registration or exemption there from under the Act and applicable state securities laws. There will be no undertaking to register the Notes in the U.S. hereafter, and the Company has not agreed to provide registration rights to any purchaser.

THE PUBLIC OFFERING OF THE NOTES HAS BEEN REGISTERED IN PANAMA WITH AND AUTHORIZED BY THE SMV AND FILING WILL BE MADE TO LIST THE NOTES WITH THE LATIN AMERICAN EXCHANGE. NONE OF THE REGISTRATION WITH OR THE AUTHORIZATION BY THE SMV, THE LISTING OF THE NOTES ON THE LATIN AMERICAN EXCHANGE OR THE REST OF THE DOCUMENTATION AND INFORMATION PRESENTED FOR THE REGISTRATION OF THE PUBLIC OFFERING OF THE NOTES IMPLIES ANY CERTIFICATION OR RECOMMENDATION TO THE INVESTMENT, QUALITY OF THE NOTES, THE SOLVENCY OF THE ISSUER, OR A FAVORABLE OR UNFAVORABLE OPINION OF THE ISSUER'S BUSINESS OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION AS CONTAINED IN THIS MEMORANDUM AND IN ITS FILING REQUEST.

This Memorandum will be the *Prospecto Informativo* for purposes of the registration of the public offering of the Notes with the SMV and its filing before the Latin American Exchange. Any future amendments to the terms and conditions of the Notes are subject to SMV Accord 4-2003 (*Acuerdo* 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, and must be performed in compliance with the provisions thereof. To the extent that the Spanish translation of this Memorandum in English language conflicts with this Memorandum, this English language Memorandum will govern and control.

No information will be delivered to a subsequent prospective purchaser of the Notes unless such prospective purchaser represents that it is an “institutional accredited investor” (as set forth above) and agrees to be bound by the terms hereof. Subsequent sales of the Notes in the U.S. will be limited to “institutional accredited investors” unless otherwise approved in writing by the Company.

This Memorandum includes “forward-looking statements” within the meaning of Section 27A of the Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts included in this Memorandum, including, without limitation, those regarding the Company’s financial positions, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. Various factors could cause the Company’s actual results, performance or achievements to differ materially from those in the forward-looking statements. These forward-looking statements speak only as of the date of this Memorandum. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, unless otherwise required by Panamanian and/or U.S. securities laws.

This Memorandum contains summary descriptions of the Company’s business and of agreements and other documents. These descriptions are not intended to be complete. Information in this Memorandum is believed to be true as of the date of the memorandum but is not necessarily true or complete as of any subsequent date. The delivery of this Memorandum does not imply that there has been no change in the Company’s business or financial condition or that the information set forth in this Memorandum is true as of any date other than the date of the memorandum or other dates specified therein. The information set forth in this Memorandum is qualified in all respects by the more detailed information in the Company’s regulatory filings with the Superintendencia del Mercado de Valores of Panama issued on or before the date on which the purchase and sale of the notes occur (“Notes Closing”). Additional information about the Company’s business may be contained in press releases that the Company may issue from time to time after the date of this Memorandum. Should you wish to obtain more detailed or updated information about the Company or the text of documents summarized in this Memorandum, you are encouraged to review the Company’s regulatory filings and recent press releases. The Company’s regulatory filings and any press releases issued by the Company after the date of this Memorandum and on or before the Notes Closing are incorporated by reference in this Memorandum. Except as described in the preceding sentence, information on the Company’s web site or that it may otherwise publish is not a part of this Memorandum.

The information in this Memorandum (including information incorporated by reference herein) and any information that Company personnel may provide to you in writing in response to questions that you may pose to the Company in connection with the offering of the Notes is the only information that has been authorized by the Company or the Placement Agents for use in connection with the placement of the Notes. You should not rely on any other information in connection with your decision to purchase the Notes.

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Section 2

Summary

Summary

Elektra Noreste, S.A. (“ENSA” the “Issuer” or the “Company”) is one of the largest electricity distribution companies in Panama in terms of electricity volume distributed, number of customers and area served. The Company holds an exclusive concession under a concession contract with the Panamanian Government (the “Concession Contract”) to operate the electricity distribution network in the northern and eastern part of Panama, including the eastern part of Panama City, the port city of Colón and the Gulf of Panama. As of [March 31, 2021], ENSA's operations covered a territory of approximately [29,200] square kilometers that included approximately [1.8 million] inhabitants, or [41]% of Panama's total population including three of Panama's main economic centers. As of [March 31, 2021], ENSA had a market share of approximately [41]% based on total customers and approximately 43% based on total energy sales.

In 2020, ENSA had total energy sales of [3,471] GWh to an average of [478,728] customers. Of the Company's 2020 customers approximately [91.8]% were residential, [7.4]% were commercial and industrial and substantially all of the remaining were government customers. Of total 2020 energy sales ([3,471] GWh), approximately [41.9]% were to residential customers, approximately [45.1]% were to commercial and industrial customers and approximately [13.0]% were to government customers. [For the three months ended March 31, 2021], ENSA had total energy sales of [882.6] GWh to an average of [491,283] customers, of which approximately [91.9]% were customers, [7.3]% were commercial and industrial and substantially all of the remaining were government customers. Over the same period, approximately [41]% of ENSA's [883]GWh of energy sales were to residential customers, approximately [46.1]% were to commercial and industrial customers and approximately 12.9% were to government customers.

As of [March 31, 2021], the Company's electricity distribution network was comprised of approximately [12,325] kilometers of distribution and transmission lines, [sixteen] key substations, and approximately [33,743] transformers and related equipment. ENSA's [12,325] kilometers of distribution lines are composed of approximately [11,133] kilometers of overhead cable circuits and [1,192] kilometers of underground cable circuits. The Company's service territory is relatively dense with [16] key substations and a load factor, which is the ratio of average load to peak load, of approximately [70]%, reflecting a good balance between residential load profile and the daytime air conditioning and lighting requirements of the commercial sector.

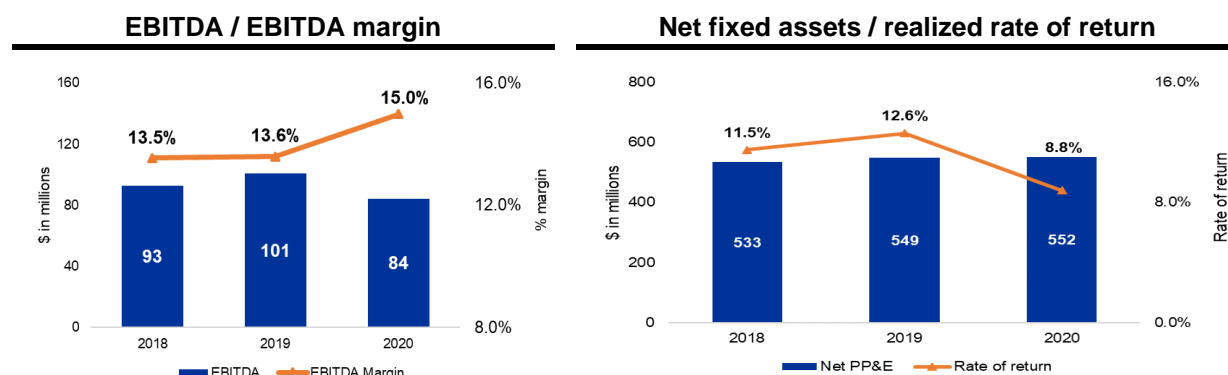
ENSA concession area



Source: Company information.

For the [three months ended March 31, 2021], ENSA had a peak demand of [504 MW], revenue of \$[125] million, EBITDA of \$[123] million and net fixed assets of \$[554] million. For the [last twelve months], ENSA

had revenue of \$[527] million and EBITDA of [\$81] million. The following diagrams highlight the development of the Company's EBITDA and rate of return over the past three fiscal years:



Note: Realized rate of return defined as EBIT divided by net PP&E.

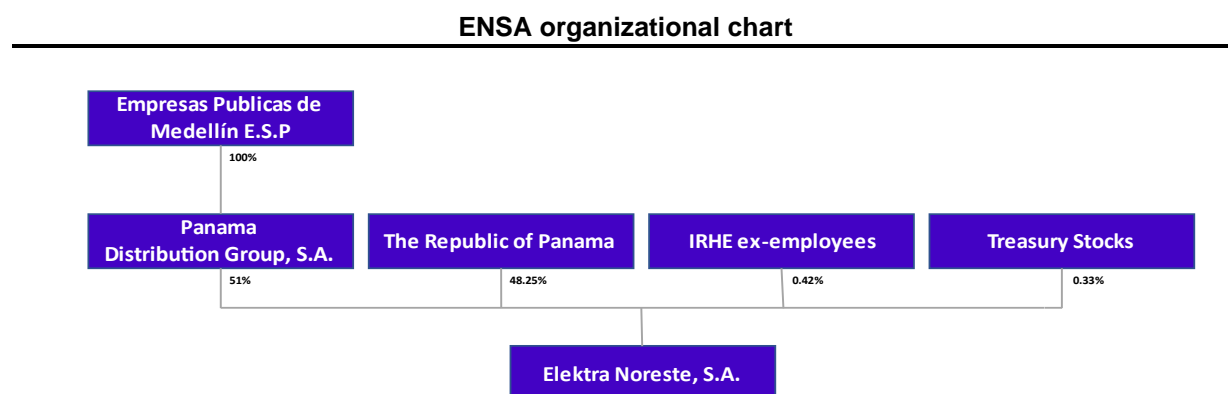
Source: Company information

EBITDA means, with respect to any testing relevant period and in relation to the Issuer, the aggregate of (a) operating income of the Issuer for the relevant period; plus (b) insofar as the same have been deducted by way of operating costs adding back amounts for depreciation, amortization and non-cash items already included in the operating income, in each case calculated on a consolidated basis and in accordance with the International Financial Reporting Standards (IFRS) applied on a consistent basis.

Ownership structure

In connection with the process of privatizing the Panamanian electricity sector, ENSA was incorporated on January 22, 1998, and through a Sale and Purchase Agreement (Contrato de Compraventa de Acciones) dated October 30, 1998, 51.00% of the Company's common stock was sold to the Panama Distribution Group, S.A., or [PDG] with 48.25% retained by the Panamanian Government and the remaining 0.75% retained between Treasury Stock and IRHE Ex-employee Stock Purchases. In March 2011 Empresas Públicas de Medellín ESP (EPM), rated Baa3/BBB- by Moody's and Fitch, respectively, acquired 100% of PDG. EPM owns [51%] of ENSA via its [100%] ownership of [PDG] and, in turn, controls the Company.

The following organizational chart outlines the current equity ownership of ENSA:



Source: Company information

Panamanian electricity regulatory framework

Panama has an established regulatory structure for the electricity industry, which is based on legislation introduced between 1996 and 1998 in preparation for the privatization of the distribution and generation sectors in the latter part of 1998. This framework provides for an independent regulator, the Ente Regulador de los Servicios Públicos, or the ERSP (whose name changed in April 2006 to Autoridad Nacional de los Servicios Públicos or the National Authority of Public Services, or the ASEP), and for a transparent tariff setting process to regulate the use of system charges and tariff structures for the sale of energy to those who purchase directly from electricity distributors, or regulated customers. The tariff structure has two components: the energy cost component and the maximum distribution tariff component. The energy cost component of tariffs charged by distribution companies to their regulated customers are established as a pass through of energy costs and are set to allow distributors to recover the cost of energy, including transmission tolls and public lighting consumption. The maximum distribution tariff component, or the Value Added by Distribution (*Valor Agregado de Distribución*), or the VAD, charged by distribution companies is set as a Maximum Allowed Income, or the MAI, to allow these companies to recover their efficient investments, operating, maintenance, administrative and commercial expenses, standard energy losses and a reasonable return on their invested capital. Each of these costs and return on capital is determined by the ASEP based on the expenses and returns of comparable companies. Any operating and investing amounts that exceed those of comparable companies are considered inefficient and are not recoverable.

Under the regulatory framework established by the ASEP, VAD tariff formulas are determined every four years and charges are adjusted every six months based on the Panamanian consumer price index, or CPI, while the energy cost component is been adjusted every six months to reflect fluctuations in energy costs. The current VAD has been in place since [January 2019 and will remain in effect through June 2022].

Law 57 of October 13, 2009 included a new article in Law 6 of 1997 to authorize Empresa de Transmision Eléctrica S.A., or ETESA, the operator of Panama's national interconnected electricity system, to process and award bids for energy purchases on behalf of the distributors. The distributors are required to sign and manage said contracts. The law modified an article concerning fines that the regulator can impose on distributors, increasing the amount to \$20.0 million. The law also modified procedures used to process customer electricity bill claims, and established the right of customers to refrain from paying the portion of an invoice in contest under a claim process.

Law 51 of September 29, 2010 created the Urban and Household Cleaning Authority and included a modification of certain articles of Law 6 of 1997 such that distributors are authorized to include in rates applied to customers for picking up household waste and rates of another public services in their electricity bill, for which the distribution companies may charge a fee for rendering these services. However, to date this has not been implemented.

Law 43 of April 5, 2011, as amended, reorganized the National Energy Secretariat (*Secretaria Nacional de Energia*) that was originally created by Law 52 of 2008 (today repealed) as a government entity in charge of formulating the country's energy policy, to guarantee the efficient use of resources and energy for its sustainability and the security of electricity supply.

Law 58 of May 30, 2011 modified the articles of rural electrification. This modification enacted a new method of calculating the Panamanian Government subsidy paid to distributors to mitigate operation and maintenance expenses for rural electrification. Prior to this change in legislation, the Panamanian Government provided subsidies based on a net present value of costs for the next twenty years. After the change in legislation, the Rural Electrification Office (*Oficina de Electrificación Rural*, a government entity) has to contribute an amount equal to the shortfall not covered by the annual cost associated to the rural project, for a term of four years. As of today, this period of four years extends until December 2024. Additionally, the law established the Rural Electrification Fund (*Fondo de Electrificación Rural*) into which generators and distributors are required to make contributions, not exceeding 1% of net income before tax, for a period of four years. This period has been extended until December 10, 2024 through Executive Decree No. 765 dated November 26, 2020 and remains subject to further extensions.

Law 68 of September 1, 2011 required distributors to respond to customer claims within 15 calendar days and authorized the ASEP to establish a compensation table for damages to customer appliances.

Executive Decree No. 247 of March 19, 2012 regulates Law 65 of October 26, 2010, which amended Law No. 6 to incorporate Articles 140-A and 140-B relating to the relocation of public utilities (mainly poles and conductors) in order to facilitate public work performed by the Panamanian Government. This executive decree established a finite period of time in which distributors would have to comply with directives to relocate or remove electrical infrastructure. According to ENSA's Concession Contract, whenever a third party requests the relocation of electricity infrastructure, said third party is to cover the cost.

New Concession Contract upon the expiration of the existing Concession Contract.

ENSA's current Concession Contract will expire in October of 2028.

Law 43 of August 9, 2012, authorizes ASEP to determine criteria and compliance procedures for distribution companies with respect to article 47 of Law 6 of 1997. This article establishes the timeframe and process for the sale of the package of controlling shares of the private sector owned shares in the electricity distribution companies, as well as for the granting of the new distribution Company Concession Contracts, due to the expiration of the existing Concession Contracts.

One year prior to the expiration of the Concession Contract, the ASEP is required to hold a competitive tender process (*acto público de licitación*) for the sale of the package of controlling shares the private sector owns in ENSA which are currently held indirectly by EPM. The tender process includes a standardization process (*acto de homologación*) of the draft concession contract that will be executed between the winning bidder and the ASEP, and during said standardization process, all terms of the contract, including the tariff formula, are evaluated for potential adjustments, which may differ from the terms and conditions of ENSA's current Concession Contract. ENSA would not be required to pay any compensation to Panama under a new concession.

EPM may participate in the tender process described above. If EPM's offer is equal to or higher than the highest price offered by any other third-party bidder, EPM will retain the property of the 51% package of shares for an additional 15 year period without paying any further amount to the Panamanian Government. If a third-party bidder offers a higher price for the package of shares, then said 51% of the shares in ENSA shall be awarded to such bidder and EPM would receive the proceeds thereof. Only pre-qualified bidders who meet the technical requirements as operators will be invited to participate and no purely financial sponsors will be invited to the tender process, since these would not be able to meet technical requirements under the tender documents.

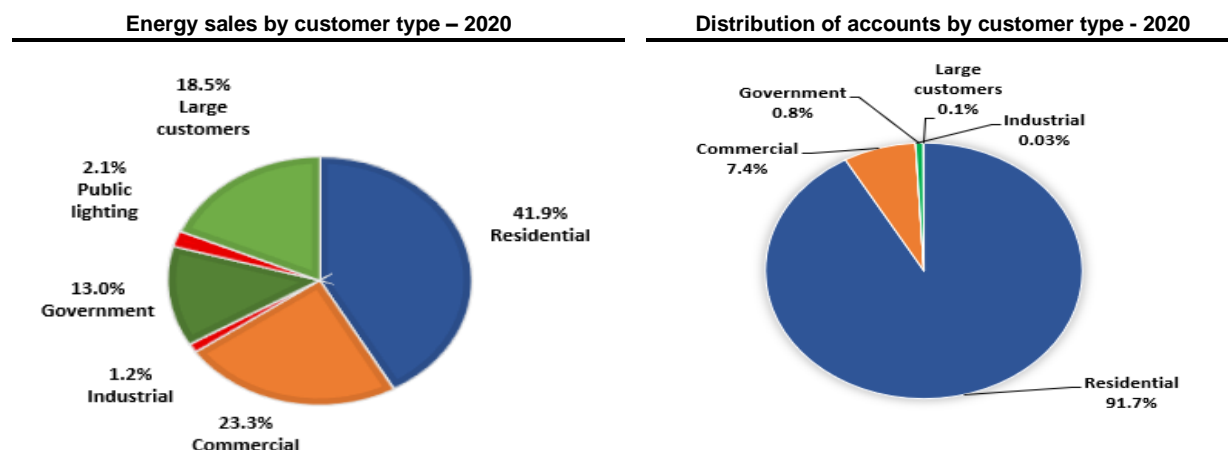
Business Overview

ENSA's business consists of the distribution of electricity in Panama to regulated and unregulated customers within its concession area.

Customers

Of the Company's 2020 energy sales, approximately [41.9]% were from residential customers, [45.1]% were from commercial and industrial customers and substantially all of the remaining were attributable to government customers.

The following charts provide an overview of ENSA's customer mix as of [March 31, 2021]:

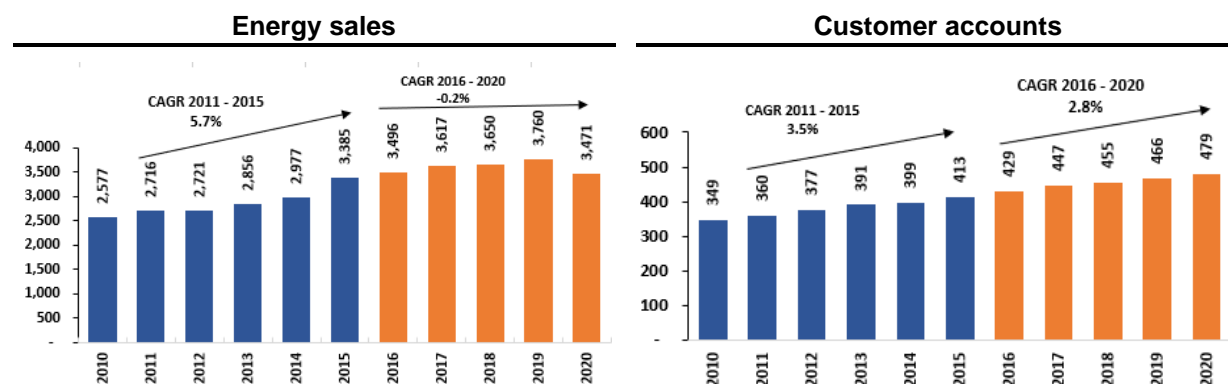


Note: Energy sales and Customer distribution charts include Wheeling customers.

Source: Company information

Between [2015 and 2020], ENSA grew its customer base at an average annual rate of [3.0]%, as a result of organic growth of the country.

The following charts provide an overview of ENSA's historical energy sales and customer base since 2010:



Note: Energy sales and Customer distribution charts include Wheeling customers.

Source: Company information

Government subsidies

In 2004, the Panamanian Government established a Stabilization Rate Fund (*Fondo de Estabilización Tarifaria*, or FET) with the goal of minimizing sudden increases in the applicable tariff paid by customers. The FET is funded by the Panamanian Government. The primary subsidies are (i) the FET base, which is distributed to all customers that consume less than 500 KWh each month, (ii) the FET increment/CVC (or FET increase), which offsets for all customers tariff increases due to cost pass through as a result of fuel price increase above the estimated price included in tariff.

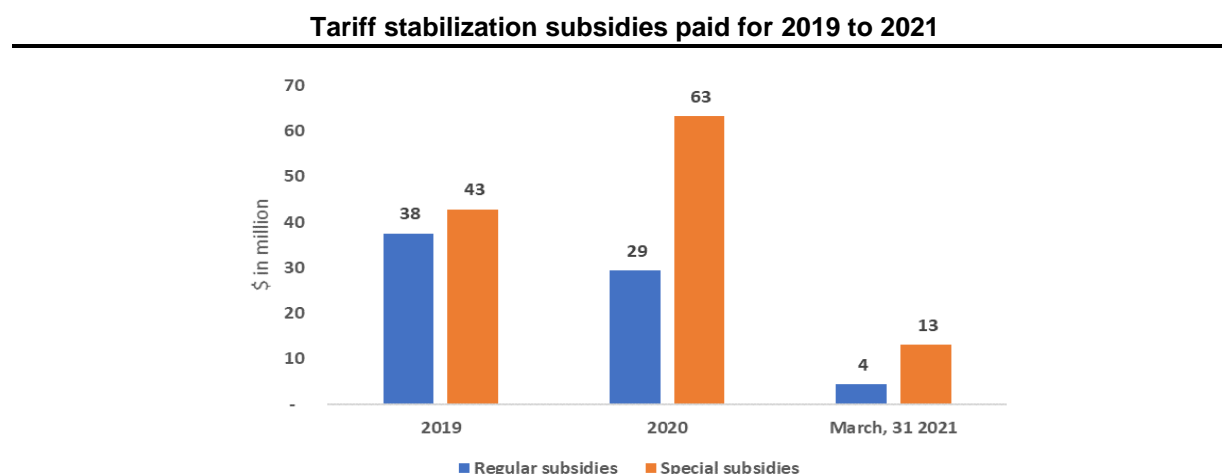
In 2015, the Panamanian Government changed the subsidies model. Subsidies now apply to customers who have a consumption of less than 300KWh per month and apply progressively in accordance with consumption. Customers with consumptions from 0 to 50KWh receive a subsidy of 34.10%, and customers with consumptions from 251-300 KWh receive a subsidy of 10.28%.

Due to the Covid-19 pandemic, the Panamanian Government increased subsidies to 50% for all customers who consume less than 300 KWh and set a new 30% subsidy for all customers who consume from 301KWh to [1,000KWh], as well as BTB and BTH residential and commercial customers. On [April 1, 2021] the Panamanian Government revised these subsidies to 41% for customers who consume less than 300 KWh and 14.31% for customers who consume between 301 KWh to 750 KWh.

In the near term, the Panamanian Government is expected to reduce the special subsidy to eventually eliminate it and only have the normal subsidies that applied before the COVID-19 pandemic.

Total subsidies under these schemes amounted to US\$81 million in 2019 and US\$92 million in 2020, respectively. The Panamanian Government subsidies are generally reimbursed to the Company in June and December of each year. Late payment of subsidies are subject to interest of approximately 7% (per year). The subsidies granted by the FET are reflected as discounts on the customers' bills and are passed onto the Panamanian Government.

The following chart outlines the FET base, regular and special subsidies paid in 2019 and 2020 and 2021:



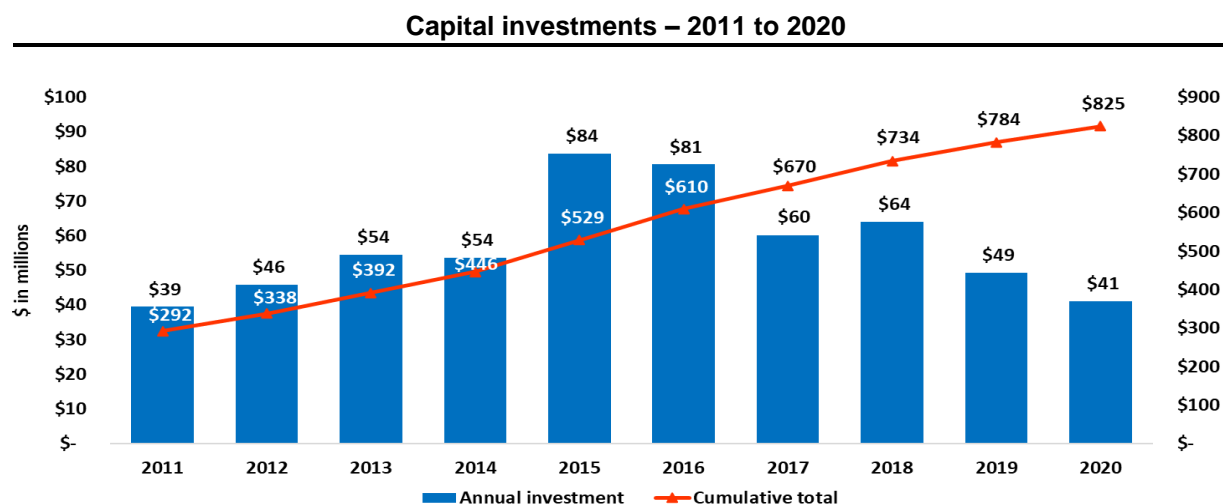
Source: Company information

Capital expenditures

The Company closely coordinates and evaluates all proposed capital expenditures across its operations in order to allocate available resources for projects associated with service expansion, specific improvement and line extension projects, and enhancements of the reliability and quality of service. ENSA also considers on an ongoing basis, specific improvement and line extension projects. Prior to undertaking any capital

expenditure, the Company models the impact of each proposed capital expenditure and only makes those expenditures that it believes will most enhance network reliability and quality of service while maintaining costs within its budget. The potential improvement in network reliability and quality of service that results from each capital expenditure is also modeled and analyzed to improve capital performance throughout its distribution networks.

The following chart outlines the Company's capital investments since 2011:



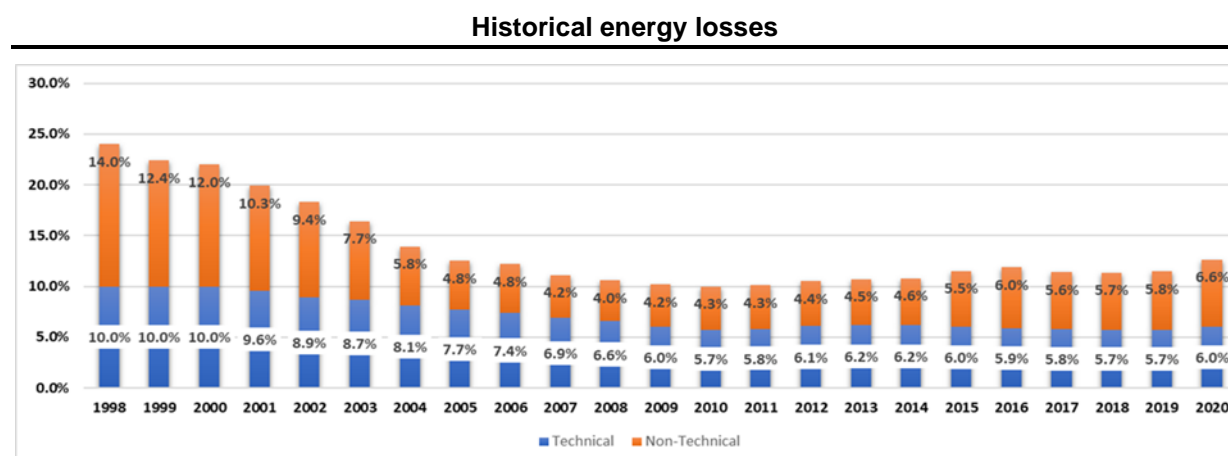
Source: Company information

[\$191 million] of new investments have been approved by the Panamanian regulator to be utilized throughout the current tariff period (from July 2018 to June 2022). The Company uses its own funds generated by the business to finance capital expenditures authorized by the Panamanian regulator.

Focus on energy loss reduction

ENSA experiences technical and non-technical electricity losses. Technical electricity losses are those that occur in the ordinary course of distribution operations, or those resulting from the specific characteristics of the distribution network. Non-technical electricity losses are those that result from illegal connections, fraud or billing errors. In 2015, ENSA implemented a well-defined and thorough loss reduction program which included, among others improving customer consumption monitoring as well as improving its internal process, using power loggers and a new artificial intelligence system to identify illegal connections, migrating illegal users into regulated clients in new low income urban developments, installing shielded cable to reduce theft and improving error detection through the installation of digital metering at the substation and grid connection level.

The following chart provides an overview of the Company's energy losses since its privatization in 1998:



Source: Company information

[At the time of ENSA's privatization in 1998, energy losses within the concession area were approximately 24.0%. The Company's average losses in 2020 were 12.6%, of which 6.6% were considered technical losses and the remaining 6.0% non-technical due to theft or fraud from regular customers (mostly residential and commercial) and illegal connections in economically marginal sectors. Due to government mandated lockdowns last year, increase of unemployment rate and decrease of operations of the Company due to restrictions from Covid-19, non-technical losses increased by 0.8%. Since the privatization in 1998, ENSA has reduced its total overall losses by approximately 11.4%.]

Employee productivity

As of [December 31, 2020], employee productivity was a ratio of 835.5 customers per employee, and energy sales per employee was 6.1 MWh. Since [2015], customers per employee and energy sales per employee have improved 2.0% and 1.6%, respectively before the effect of the Covid-19 pandemic due to the drop in demand. The Company remains focused on maintaining high levels of operating efficiencies by improving employee productivity through additional training, process improvement, further upgrading and automating its operations and information systems, as well as improving its billing and collection processes. In total, ENSA has invested over \$825 million in facilities and systems since its privatization in 1998, \$[487] million of which was made between [January 2013 and June 2020]. The Company remains focused on improving employee productivity and is currently in the process of enhancing its information technology platform.

Power supply

ENSA is required by law to provide contract coverage for regulated customers' contribution to the peak demand of the system, Demanda Máxima de Generación, or DMG, and the associated energy costs for the following 24-month period to limit fluctuations in energy costs. This requires that ENSA accurately estimate customers' needs while limiting the possibility of over contracting. The Company's power purchase strategy of entering into medium- and long-term contracts is designed to protect customers from fluctuations in the energy cost component of their tariff and to avoid a strong dependence on the electricity spot market, whose prices can be subject to greater fluctuation. [As of [March 31, 2021] ENSA had contracted 60% of its expected total energy requirements through purchase agreements in the energy contract market for [2020 and 2021], [96]% of expected requirements for [2022] and [80]% of expected requirements for [2023]. The remaining portion is expected to be contracted in [2021]. ENSA expects to have energy providers contracted at 100% by 2021, at 100% by 2022, and at 90% by 2023.]

ETESA, the operator of Panama's national interconnected electricity system, is responsible for managing the procurement of new power purchase agreements on behalf of the country's three distribution

companies. Under this system, each distributor submits their expected needs to ETESA, which in turn runs a competitive bidding process for power supply. Upon completion of the bidding process, fully negotiated agreements are assigned to each distributor for execution and management.

Business strategy

The Company seeks to maintain strong cash flow generation and profitability by ensuring highly efficient operations, increasing service quality and improving customer satisfaction. Key elements of the Company's business strategy include:

- Providing customers with affordable, high quality service
 - Cost effectively operating and maintaining its distribution network
 - Training and developing its employees
 - Strategic and appropriately-budgeted capital investments
 - Maintaining low levels of electricity losses
 - Insulating customers from fluctuations in the cost of electricity through an actively managed power purchase program
-

Competitive strengths

Attractive service area and strong market position

ENSA is an electric utility company with a customer base of more than [451,333] residential accounts, [35,776] commercial accounts and [137] industrial accounts as of [March,31], 2021. The Company also provides service to a number of government accounts, including Panama's water treatment plant, Tocumen International Airport and most recently, Panama's Metro.

The Company holds an exclusive concession to operate the electricity distribution network in some of the most densely populated and economically active regions in Panama, including a significant portion of Panama City, the Canal Area and the port city of Colón, three of Panama's main economic centers. As of [March,31], 2021, the Company's operations covered a territory of approximately [29,200] square kilometers that included close to [41]% of Panama's population and represented approximately [43]% of all energy sales in Panama.

Established and transparent regulatory regime with incentives for efficiency gains

The 1997 Electricity Law created a market-oriented framework for the country's electricity distributors, which allows ENSA to retain the financial benefits derived from efficiency gains during each four-year tariff period. The VAD portion of the tariffs relating to ENSA's permitted rate of return is subject to maximum amounts set every four years by ASEP in consultation with ENSA and based on future operating and capital expenditures as estimated by ASEP. Under the 1997 Electricity Law, ENSA is able to pass through to its customers the cost of electricity and capacity it purchases from electricity generators.

Exclusive service provider with predictable cash flows

ENSA has exclusive rights to provide power distribution services in its concession area. The Panamanian regulatory environment for electric utilities is established and transparent with incentives for efficiency gains. ENSA functions with a cost-based operating structure approved by ASEP. The tariffs charged by ENSA to its customers have two components: the energy cost component and the maximum distribution tariff component. This structure allows ENSA to achieve a minimum return based on its net fixed assets and to pass through energy purchase costs to its customers. The structure also allows ENSA to retain the benefit from operating and capital efficiencies, which provides incentives to earn higher realized returns.

ENSA has significantly improved its realized rate of return (defined as EBIT divided by net fixed assets) to [12.6]% in [2019] from 11.5% in [2018]. Due to the drop in demand driven partly by the Covid-19 pandemic, this ratio was impacted and was 8.8% for 2020. Additionally, the Company's EBITDA grew [8.7]% from \$[93] million in [2018] to \$[101.0] million in [2019] mainly as a result of an increase on energy and distribution costs. Due to a drop in demand driven partly by the Covid-19 pandemic, the Company's EBITDA decreased by 16.5% to \$84 million in 2020. ENSA's success in optimizing operational efficiencies can be observed in the difference between its realized rate of return and the regulatory rate of return, which is set at [8.94]% for the period of [July, 2018 through June, 2022].

Strong, knowledgeable management team with controlling shareholder support

ENSA's management team has extensive experience in electricity distribution, the wholesale energy market, electricity regulation and business sector in Panama. Additionally, the key managers at ENSA have spent an average of [9 to 14] years at the Company itself. The management team maintains regular and open communication with the Company's controlling shareholder, EPM to discuss official updates and coordinate any needed response. This exchange of information is structured to support ENSA's managers in their administration of the Company by leveraging EPM's extensive experience in the power sector.

Stable economic environment with USD functional currency

The Republic of Panama is rated Baa2/BBB/BBB- by Moody's, S&P and Fitch, respectively. The country has experienced an average annual GDP increase of [4.3] % from 2015 to 2019 before the COVID-19

pandemic. 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. Because ENSA receives revenues in U.S. dollars, investors are not exposed to risks associated with local currency fluctuations negatively impacting the Company's ability to service its indebtedness.

Summary of the Offering

The information presented is a summary of the principal terms and conditions of the offering, including the details of the risk factors included in the same. Potential investors that are interested should read this section together with the totality of the information contained in this offering memorandum and request clarification if you do not understand any of the terms and conditions, including the risk factors, of the offering.

ENSA proposes to issue \$[100] million senior unsecured notes (the “Notes”). The Notes will be offered in one tranche with a proposed maturity in [____]. The Notes will rank pari passu with all other unsecured indebtedness of the Company. The Notes will pay semi-annual interest commencing [six] months from the date of funding. Proceeds from the sale of the Notes will be used by ENSA 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 described herein.

The following summary contains basic information about the Notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Notes, please refer to the section of this document entitled “Description of the Notes.” For purposes of the description of the Notes included in this offering memorandum, references to the “Company,” “Issuer,” and “ENSA” only refer to Elektra Noreste, S.A. The Notes are being offered based upon the summary included herein and the draft Note Purchase Agreement (“Note Purchase Agreement”), which will be delivered separately. Greenberg Traurig, LLP has been suggested as investors’ counsel and can be reached at +1 212.801.9200. To the extent an inconsistency exists between the Note Purchase Agreement and the Summary of Terms, the Note Purchase Agreement will govern.

The Issue

Issue:	\$[____] of senior unsecured Notes (the “Notes”).
Issuer:	Elektra Noreste S.A. (“ENSA” or the “Company”).
Principal Amount:	\$[____].
Holders:	Qualified institutional buyers and/or institutional accredited investor.
Placement Agents:	HSBC Securities (USA) Inc. and Scotia Capital (USA) Inc.
Rating:	On or prior to the date the Notes are issued, the Notes are expected to have been rated “[____]” by [____] (“[____]”).
Final Maturity:	[____] year bullet maturity.
Interest Rate:	[____]% payable semi-annually in arrears on each [____] and [____] commencing on [____], calculated on the basis of a [360]-day year of [twelve 30-day] months.
Price:	[100]% of Principal Amount.
Use of Proceeds:	The proceeds from the Notes will be used to (i) to pay the expenses of the offering of the Notes described herein and (ii) to pay in full certain current outstanding short-term indebtedness of ENSA of approximately \$[100] million that is due in July 2021.
Ranking:	The Notes will be unsecured. The Notes will rank pari passu in right of repayment with the other unsecured senior Indebtedness of the Company.

Listing:	The Notes are listed on the Latin American Exchange.
Panamanian Auction Process:	The Notes will be offered for sale by the Issuer on the Latin American Exchange and a representative of the Bank of Nova Scotia (and any other purchasers pursuant to the Latin American Exchange bidding process described herein) may purchase the Notes in such exchange on the date on which such sale takes place, the "Panama Public Auction Date". The settlement is expected to take place [●] Business Days after the Panama Public Auction Date. However, consummation of the sale and purchase of the Notes on the Closing Date as contemplated in the Note Purchase Agreement, will be conditioned upon [the Bank of Nova Scotia's] satisfaction, or the waiver of any conditions thereunder on or prior to the settlement date. Further, the Note Purchase Agreement permits the initial purchasers thereunder to terminate their respective obligations to purchase the Notes upon certain termination events and will require the Issuer to repurchase the Notes previously purchased on the Latin American Exchange. The repurchase price will be equal to the price payable to the Issuer for the Notes (including any premium, discount and/or prepaid interest), and no make-whole premium or any other amounts will be payable in connection therewith.
Clearance and Settlement:	Notes sold in reliance on Regulation S will be issued in book-entry form, registered in the name of the nominee of DTC and deposited with a custodian thereof. Such Notes will be beneficially owned through the respective accounts of Euroclear or Clearstream at DTC. Notes issued in reliance of an exemption from registration other than Regulation S will be issued in book-entry form and registered in the name of the nominee of DTC and deposited with a custodian thereof. Owners of beneficial interests in Notes held in book entry form will not be entitled to receive physical delivery of Physical Notes except in certain limited circumstances.
<u>Early Redemption</u>	
Optional Redemption:	The Notes are subject to redemption at the option of the Company, in whole or in part, at any time prior to maturity upon sending notice to the Holders no less than 30 calendar days and no more than 60 calendar days before the redemption date. In the event of redemption at the option of the Company, the Company will pay an amount equal to the Optional Redemption Price, as defined herein.
Optional Redemption Price:	The Optional Redemption Price shall be defined as (i) the greater of (a) the present value of the expected future cash flows from the Notes (minus any accrued interest) discounted on a semi-annual basis at a rate equal to the then-current Treasury Note yield corresponding closest to the remaining weighted average life on the Notes calculated at the time of the prepayment plus [] basis points, and (b) the principal amount outstanding plus (ii) accrued and unpaid interest and other amounts owed to (but not including) the redemption date.
Taxation:	All payments in respect of Notes will be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any authority in Panama or any other applicable jurisdiction having the power to tax, unless the withholding or deduction of such taxes or duties is required by law, in which event the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts

paid after such deduction or withholding shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such deduction or withholding, except that no such Additional Amounts shall be payable in respect to (i) any Notes presented for payment by or on behalf of a Holder who is liable for such taxes or duties in respect of such Notes by reason of his having some connection with Panama or any other applicable jurisdiction other than the mere holding of such Notes or (ii) any Notes presented for payment by or on behalf of a Holder who would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of eligibility for treaty benefit or other similar claim for exemption to the relevant tax authority, but fails to do so after having been informed of the need to do so by the Company or (iii) Notes not presented within 30 days after the Company has made available for the Holder of a payment of principal or interest or (iv) estate, gift, use, transfer, personal property or similar taxes.

Optional Tax Redemption: The Notes are redeemable at the option of the Company, in whole, upon sending notice to the Holders no less than 30 calendar days and no more than 60 calendar days before the redemption date, at a redemption price equal to par plus accrued interest to (but not including) the redemption date plus any Additional Amounts in the event the Company is required to pay an Additional Amount as described above in "Taxation" but the Company will not be obligated to pay any premium or other similar amount in connection therewith.

Main Risk Factors

- Panama's economic and political situation may adversely affect ENSA's financial results and its ability to repay the Notes.
 - The Company may be adversely affected by current and future governmental policies and political crises in Panama.
 - Since the Panamanian monetary system is dependent on the U.S. dollar, any downturns in the U.S. economy may adversely affect us.
 - Adverse political and economic conditions in other Latin American countries may adversely affect ENSA.
 - The global COVID-19 health pandemic may continue to, adversely affect our business, financial condition and results of operations.
 - Termination of the Concession Contract without renewal could impair ENSA's ability to repay its indebtedness.
 - ENSA may be adversely affected by the application and interpretation of regulations that could affect its revenues.
 - 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.
-

- The Company's business performance may be affected by the nature of its response to various operating risks typically faced by electricity distribution companies.
- Failure of transmission lines owned by ETESA may adversely affect the Company's operating results.
- ENSA is subject to environmental and health and safety laws and regulations.
- Property may be damaged and our business interrupted or impaired by the occurrence of a natural disaster.
- Labor relations could affect the business.
- The Notes may not be freely transferred in the U.S.
- 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.
- It may be difficult to enforce civil liabilities against us or our directors and executive officers and controlling persons.

Representations & Warranties

Customary representations and warranties for an unsecured senior note financing will be made by the Company as of the date of closing.

Covenants

Customary covenants for an unsecured senior note financing for an issuer in the region will be made and complied with by the Company during the term of the Notes. See "Description of the Notes—Certain Covenants."

Events of Defaults

Customary events of default and remedies for an unsecured senior note financing for an issuer in the region will be included in the Notes documents. See "Description of the Notes—Events of Default."

Section 3

Summary historical financial data

Summary historical financial data

The following summary historical financial data of the Company should be read together with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Financial Data," the Company's financial statements and the accompanying notes on file with the Superintendency of Capital Markets (www.supervalores.gob.pa), the Latin American Exchange (www.panabolsa.com) and available on the Company's website (www.ensa.com.pa).

Summary financials and key metrics ([2018] to present)

(in US\$ million)	1Q 2021	1Q 2020	FY 2020	FY 2019	FY 2018
Income statement					
Total revenue	124.8	165.5	561.4	740.8	683.9
Purchase of energy and net transmission charges	91.8	123.6	422.00	586.5	537.0
Total operating costs and expenses	18.8	24.1	90.9	84.9	85.5
EBITDA	22.7	25.9	84.1	100.7	92.6
Depreciation and amortization	8.2	7.6	34.6	30.3	29.9
Operating income	14.2	17.8	48.5	69.4	61.4
Interest expense	5.0	4.6	20.2	19.0	16.7
Net income	6.4	9.4	20.2	33.2	33.3
Balance sheet					
Cash and equivalents	42.9	54.1	54.0	25.5	6.2
PP&E, net	553.6	549.8	551.6	548.9	533.5
Total assets	779.7	783.9	797.6	775.1	758.2
Short-term debt	99.9	57.0	99.8	25.0	12.0
Long-term debt	179.1	278.5	179.1	278.4	277.9
Total debt	279.1	335.5	278.9	303.4	289.9
Shareholders' equity	204.2	190.2	197.7	180.8	170.5
Total capitalization	483.2	525.7	476.6	484.2	460.4
Cash flow statement					
Net cash from operations	-0.9	5.4	95.8	80.1	104.1
Capital expenditures	10.3	8.9	39.2	51.6	65.5
Key metrics					
Realized rate of return ^(a)	8.3%	11.0%	8.8%	12.6%	11.5%
EBITDA margin	18.2%	15.6%	15.0%	13.6%	13.5%
Total debt / EBITDA	3.46	3.41	3.33	3.03	3.15
EBITDA / interest expense	4.50	5.7	4.17	5.30	5.54

Reconciliation of EBITDA to net income

	1Q 2020	1Q 2021	FY 2020	FY 2019	FY 2018
Net Income	6.4	9.4	20.2	33.2	13.3
Total income tax	2.7	3.8	8.1	17.2	11.3
Interest expense & other income	5.0	4.6	20.2	19.0	16.7
Loss of disposal of fixed assets	0.4	0.5	1.1	1.0	1.4
Depreciation and amortization	8.2	7.6	34.6	30.3	29.9
EBITDA	22.7	25.9	84.1	100.7	92.6

(a) Realized rate of return defined as EBIT divided by PP&E, net.
Source: Company information

Section 4

Risk factors

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.

Section 5

Use of proceeds

Use of proceeds

Use of proceeds

The proceeds received by the Company from the offering of the Notes are estimated to be approximately \$[100] million.

The Company intends to use the net proceeds of the offering (i) to pay the expenses of the offering of the Notes described herein and (ii) to pay in full the current outstanding short-term indebtedness of ENSA of approximately \$[100] million that is due in July 2021. The Company uses its own funds generated by the business to finance capital expenditures authorized by the Panamanian regulator.

ENSA's current outstanding long-term indebtedness as of [March 31, 2021], totalled an aggregate principal amount of \$[279.1 million senior notes, which includes approximately \$179.2 million of senior notes and \$ 99.9 million of commercial loan

[As of [March 31, 2021], ENSA did not have any current outstanding short-term indebtedness.^{1]}

¹ NTD: to be confirmed based on transaction timeline.

Section 6

Capitalization

Capitalization

The following table sets forth ENSA's short term debt, long term debt and shareholder's equity at [March 31, 2021], as adjusted to give effect to the issuance of the Notes offered hereby and to application of the proceeds from the sale of the Notes, as if the issuance of the Notes and the application of the proceeds had occurred on [March 31, 2021]. Other than giving effect to the application of the proceeds as described herein, there has been no material change in the Company's capitalization since [March 31, 2021]. See "Use of Proceeds." For additional information, see the Company's financial statements and notes on file with the Superintendency of Capital Markets (www.supervalores.gob.pa), the Latin American Exchange (www.panabolsa.com) and available on the Company's website (www.ensa.com.pa).

Pro forma capitalization table

(in US\$ million)	Balance sheet as of 3/31/2021	Adjustments	Pro forma capitalization
Cash and cash equivalents	42.9		42.9
Short term debt^(a)			
Senior notes due 2021, net of discount ^(b)	99.8	(99.8)	0
Senior notes due 2027, net of discount ^(c)	79.2		79.2
Commercial loan due 2023, net of discount ^(d)	99.9		99.9
Private Placement notes due 2036 ^(e)		100.0	100.0
Total long-term debt	278.9		279.2
Total debt	278.9		279.2
Stockholder's equity	204.2		204.2
Total capitalization	483.1		483.3
Total debt	278.9		279.2
LTM EBITDA	80.8		80.8
Total Debt / EBITDA	3.45		3.45

(a) Represents the principal amount outstanding under our short term credit facilities.,

(b) Represents the 2006 Senior Notes issuance of US\$100 million, at a fixed rate of 7.60%, due in July 2021.

(c) Represents the 2012 Senior Notes issuance of US\$80.0 million, at a fixed rate of 4.73%, due in December 2027.

(d) Represents the local 2018 Commercial Loan of US\$100.0 million, at a fixed rate of 4.25%, due in October 2023.

(e) Reflects the issuance of US\$100.0 million of the Notes.

Source: Company information

Section 7

Selected historical financial data

Selected historical financial data

The following selected historical financial data of the Company has been derived from, and should be read together with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company's financial statements and the accompanying notes on file with the Superintendency of Capital Markets (www.supervalores.gob.pa), the Latin American Exchange (www.panabolsa.com) and available on the Company's website (www.ensa.com.pa).

Income statement

(in US\$ million)	1Q 2021	FY 2020	FY 2019	FY 2018
Revenues				
Energy sales	122.3	552.5	729.2	671.4
Other revenues	2.4	8.9	11.6	12.5
Total revenues	124.8	561.4	740.8	683.9
Purchase of energy and net transmission charges	91.8	422.0	586.5	537.0
Gross margin on distribution	33.0	139.4	154.2	146.9
Operating expenses				
Wages and other personnel-related expenses	4.0	15.1	13.2	14.3
Seniority provision and severance pay				
Allowance for uncollectible accounts, net of recoveries	-0.5	11.7	4.2	1.9
Repair and maintenance	0.9	3.5	5.2	4.3
Professional services	3.8	15.6	21.3	22.0
Depreciation and amortization	8.2	34.6	30.3	29.9
Management fee	2.1	9.3	9.6	11.7
Administrative and other	0.4	1.1	1.0	1.4
Loss of disposal of fixed assets				
Total operating expenses	18.8	90.9	84.9	85.5
Operating income	14.2	48.5	69.4	61.4
Other income (expenses)				
Other income	0.1	0.1	0.4	0.4
Interest income	0.0	0.5	0.2	0.3
Interest expense	5.1	20.8	19.6	17.4
Total other income	5.0	20.2	19.0	16.7
Income before income tax	9.2	28.3	50.4	44.6
Income tax				
Current	-0.5	5.6	34.8	11.3
Deferred	3.2	2.4	17.7	0.0
Total income tax	2.7	8.1	17.2	11.3
Net income	6.4	20.2	33.2	33.3

Reconciliation of EBITDA to net income

	1Q 2021	FY 2020	FY 2019	FY 2018
Net Income	6.4	20.2	33.2	33.3
Total income tax	2.7	8.1	17.2	11.3
Interest expense & other income	5.0	20.2	19.0	16.7
Loss of disposal of fixed assets	0.4	1.1	1.0	1.4
Depreciation and amortization	8.2	34.6	30.3	29.9
EBITDA	22.7	84.1	100.7	92.6

Source: Company information

Balance sheet

(in US\$ million)	1Q 2021	FY 2020	FY 2019	FY 2018
Assets				
Current assets				
Cash and cash equivalents	42.9	54.0	25.5	6.2
Accounts receivable				
Trade and other	123.6	130.8	145.8	142.4
Others, net	0.0	0.0	0.0	0.0
Accounts receivable, net	123.6	130.8	145.8	142.4
Inventory	16.2	18.3	18.0	12.7
Prepaid income tax	7.9	7.8	0.0	11.8
Other current assets	1.4	1.1	1.1	0.7
Total current assets	192.0	212.0	190.5	173.9
Property, plant, and equipment, net				
Other assets				
Deferred income tax	2.9	2.4	4.3	0.0
Inventory	2.6	2.8	2.6	2.1
Investment properties	3.7	3.7	4.0	4.0
Intangibles, net	23.0	23.1	22.3	19.7
Other assets	1.9	1.9	2.5	0.8
Total other assets	587.7	585.5	584.6	560.2
Regulatory assets	7.7	0.2	0.0	24.1
Total assets	787.4	797.6	775.1	758.2
Liabilities				
Current liabilities				
Accounts payable				
Generation and transmission	204.4	215.0	135.2	183.9
Suppliers	23.8	26.9	46.1	33.4
Construction contracts	6.4	6.5	6.3	3.7
Others	7.6	6.8	6.5	6.2
Income tax payable	0.1	0.3	22.9	0.2
Total accounts payable	242.3	255.5	217.0	227.4
Short term debt	101.5	103.4	25.0	12.0
Provision for contingencies	12.7	12.5	5.5	6.6
Other current liabilities	0.4	0.4	0.4	0.2
Total current liabilities	356.8	371.8	247.9	246.2
Long term debt	180.3	179.3	282.2	281.7
Customer deposits and other liabilities				
Accounts payable	43.6	46.2	54.9	56.4
Other liabilities	2.5	2.6	3.8	3.4
Regulatory liabilities	0.0	0.0	5.5	0.0
Total liabilities	583.2	599.9	594.3	587.7
Stockholders' equity				
Authorized and issued common stock 50,000,000 shares				
Without par value; 164,946 stock in treasury	106.1	106.1	106.1	106.1
Retained earnings	98.1	91.6	74.7	64.4
Total stockholders' equity	204.2	197.7	180.8	170.5

Source: Company information

Statement of cash flows

(in US\$ million)	1Q 2021	FY 2020	FY 2019	FY 2018
Cash flow from operational activities				
Net Income	6.44	20.2	33.1	33.3
Adjustments to reconcile net income to net cash:				
Provided by operating activities				
Depreciation and amortization	8.2	34.6	30.3	29.9
Impairment of Financial instruments	(0.5)	11.7	4.2	1.9
Investment property valuation	0.0	0.3	0.1	(0.9)
Income tax	(0.5)	5.6	29.8	5.9
Financial expenses	5.0	20.2	19.0	16.7
Result on disposal of fixed assets	0.4	1.4	3.0	4.4
Provision	0.3	7.7	1.4	2.9
Net changes in operating assets and liabilities:				
Accounts receivable	7.6	3.3	(7.6)	(34.6)
Inventory	2.1	(0.3)	(5.1)	4.2
Other assets	(0.2)	0.0	0.4	0.1
Accounts payable - trade and other liabilities	(15.4)	51.2	(34.6)	87.4
Employee benefits	(0.1)	(0.3)	(0.6)	(0.4)
Provisions	0.0	(0.5)	(2.4)	(1.2)
Other liabilities	0.0	(0.2)	(0.2)	(0.2)
Interest paid	(6.2)	(19.5)	(19.2)	(17.0)
Income tax paid	(0.3)	(34.1)	(0.3)	(15.8)
Changes in regulatory deferred accounts	(7.6)	(5.6)	29.6	(12.6)
Net cash provided by operating activities	(0.9)	95.8	80.1	104.1
Cash flows from investing activities				
Interest received	0.0	0.5	0.2	0.3
Acquisition of fixed assets	(10.4)	(39.3)	(51.2)	(65.2)
Net Inventory	0.2	(0.3)	(0.4)	(0.5)
Severance fund	0.0	(0.2)	(0.2)	(0.1)
Net cash used in investing activities	(10.3)	(39.2)	(51.6)	(65.5)
Cash flow from financing activities				
Obtaining financing	0.1	72.5	181.5	112.3
Debt and treasury payment	0.0	(97.0)	(168.0)	(128.0)
Repurchase of shares	0.0	0.0	0.0	0.0
Payment of lease liabilities	(0.1)	(0.2)	(0.2)	0.0
Complementary dividend tax paid	0.0	(3.3)	0.9	(0.3)
Dividends paid	0.0	0.0	(23.4)	(21.0)
Net cash used in financing activities	0.1	(28.0)	(9.3)	(37.0)
Cash and cash equivalents				
Net increase (decrease) in cash	(11.1)	28.5	19.3	1.7
Cash at the beginning of the period	54.0	25.5	6.2	4.6
Cash at the end of the period	42.9	54.0	25.5	6.2
Supplemental disclosure of cash flows				
Cash paid during the year:				
Interest, net of amounts capitalized	6.2	19.5	19.2	16.9
Income tax	0.0	33.6	0.0	15.8

Source: Company information

Section 8

Management's discussion and analysis of financial condition and results of operations

Management's discussion and analysis of financial condition and results of operations

The following discussion should be read in conjunction with our historical financial statements and the notes thereto on file with the Superintendency of Capital Markets (www.supervalores.gob.pa), the Latin American Exchange (www.panabolsa.com) and available on the Company's website (www.ensa.com.pa). The following discussion includes certain forward-looking statements. For a discussion of important factors, including the continuing development of our business, actions of regulatory authorities and competitors and other factors which could cause current results to differ materially from the results referred to in the forward-looking statements, see "Notice to Investors" and "Risk Factors."

General

The discussion and analysis of our financial condition and results of operations have been organized to present the following:

- a brief overview and the principal factors that influence our results of operations, financial condition and liquidity
- a review of our critical accounting policies
- a discussion of the principal macroeconomic factors that influence our results of operations
- a discussion of our results of operations for the years ended [December 31, 2020, 2019 and 2018] as well as for the [three months ended March 31, 2021 and 2020]
- a discussion of our liquidity and capital resources as of December 31, 2020 and [March 31, 2021], the cash flows for the years ended [December 31, 2020, 2019 and 2018] as well as for the [three months ended March 31, 2021 and 2020], and our material short-term and long-term indebtedness for the [three months ended March 31, 2021]
- a discussion of our capital expenditures and contractual commitments
- a discussion of our risk management policies

Overview

We are one of the largest electricity distribution companies in Panama in terms of electricity volume distributed, number of customers and area served. We hold an exclusive concession to operate the electricity distribution network in the northern and eastern part of Panama, including the eastern part of Panama City, the port city of Colón and the Gulf of Panama. As of [March 31, 2021], we had a market share of approximately 41% of the customers and approximately 43% of total energy sales in Panama. For the [three months ended March 31, 2021], we had total energy sales of 882.6 GWh billed to 491,283 customers.

Our results of operations, financial condition and liquidity have been influenced and will continue to be influenced by a variety of factors, including:

- the growth rate of our customers, the Panamanian GDP and demographic trends in Panama, all of which affect the demand for and usage of electricity and consequently, the amount of electricity that we sell
 - the periodic re-setting of the VAD component of our regulated tariffs, both the initial reset in [July 2018] and the expected reset in July 2022, which directly affects our gross margin and earnings
-

- our ability to fully recover from our customers or, as has been the case in recent years, the Panamanian Government, the fuel component adjustment within our regulated tariffs
- our level of electricity losses, including technical losses during the transmission and transformation process and non-technical losses, resulting from theft, fraud or inaccurate billing
- the ongoing costs of our quality of service improvements
- our ability to generate cash flows from operations through sales of electricity
- the timing of the recovery of our cost of electricity through increases in the electricity tariffs approved by the ASEP and payments received in respect of fuel adjustments, which affects our cash flows from operations
- our capital expenditure requirements, which consist primarily of maintenance, compliance with reliability, quality of supply and customer service standards, the extension of our distribution systems and upgrades of our information systems

Critical accounting policies

The accounting policies described below are significant to our business operations and the understanding of our results of operations, financial condition and liquidity. A critical accounting policy is one that is both important to the presentation of our financial condition and results of operations and requires management to make difficult, subjective or complex accounting estimates and assumptions. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, our observance of trends in the industry, information with respect to our consumers, terms of existing contracts, and information available from other independent sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items.

We believe that the following accounting policies involve the application of critical accounting estimates. In order to provide an understanding about how we form our judgments and estimates about certain future events, including the variables and assumptions underlying the estimates of those judgments to different variables and conditions, we have included comments related to the following critical accounting policies under IFRS. For a more complete summary of our significant accounting policies, see our financial statements.

Fuel component adjustment

The regulated system under which we operate provides that any excess or shortfall between the estimated energy costs reflected in the applicable tariff and the actual costs incurred be included as a compensation adjustment to be recovered or refunded in the next tariff revision period. Accordingly, any excess in energy costs that was charged to our regulated customers results in a reduction of the tariff to be recovered from our regulated customers during the next tariff revision period. Alternatively, where there is a deficiency in energy cost charged to customers, a tariff increase will occur in the next tariff revision for customers. Any excess in energy costs charged to customers is accrued in the accounts payable on the balance sheet and leads to a reduction in the next tariff revision to be applied to our customers. Alternatively, any deficit in energy cost charged to customers is accrued in the account receivable on the balance sheet and leads to an increase in the next tariff revision to be recovered from our customers. There is no fuel component adjustment with respect to our unregulated customers, as they only pay us a distribution tariff. This methodology operates to pass through to our regulated customers the associated costs related to the increase or decrease in the fuel component index that is found in our thermal power purchase agreements and the purchases in the spot markets. The refund or recovery of these differentials occurs over the tariff revision period. ENSA has applied IFRS 14 - Regulatory Deferral Accounts that permits an entity which is a first-time adopter of International Financial Reporting Standards to continue a regulatory account with limited changes for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. As IFRS has established, ENSA has

regulatory deferral account balances presented separately in the statement of financial position and statement of profit and loss.

Unbilled energy revenues

Our revenues related to the distribution of electricity are generally recorded when energy is consumed by our customers. However, the determination of energy actually distributed to individual customers is based on the reading of their meters, which is performed on a systematic (reading cycles) basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is calculated. Unbilled electricity delivered revenue is estimated based on the daily average energy consumption and applicable tariff rates for our customers. As additional information about our customers becomes available, or actual amounts of electricity are determinable, the calculated estimates are revised monthly. Consequently, our operating results can be affected by revisions to our prior accounting estimates.

Impairment of long-lived assets

We required, at the end of each reporting period, to assess whether there is any indication that an asset, such as our substations, underground conductors and ducts, overhead conductors and accessories, electric transformers, as well as our poles, towers, accessories, and other fixed assets, may be impaired, in accordance with the "Impairment of Asset" IAS 36. Pursuant to "Impairment of Asset" IAS 36, with the exception of goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset, and the test may be conducted for a "cash-generating unit", where an asset does not generate cash inflows that are largely independent of those from other assets. Examples of such indications include a significant decrease in the market price, a significant adverse change in the manner an asset is being used or its physical condition, and an accumulation of cost significantly in excess of the amount originally expected for the construction or acquisition of an asset, among others. An impairment loss shall only be recognized if the carrying amount of an asset is not recoverable and exceeds its fair value. The carrying amount is considered not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset.

Therefore, we are required to estimate the undiscounted future cash flows associated with a long-lived asset or group of long-lived assets. This necessarily involves judgment surrounding the inherent uncertainty of future cash flows. If we determine that the undiscounted cash flows from an asset to be held and used are less than the carrying amount of the asset, we must estimate the fair value to determine the amount of any impairment loss. The estimate of fair value under section IAS 36.30 also involves management's judgment. We may consider prices of similar assets or employ valuation techniques, such as using a single interest rate that is commensurate with the risk involved with the investment to discount the estimated future cash flows associated with the asset. The use of this method involves the same inherent uncertainty of future cash flows as discussed above with respect to undiscounted cash flows. As of [March 31, 2021], no asset impairments were recorded.

Contingencies

We are involved in several legal proceedings and our management has been required to assess the magnitude of each individual case. We provide an estimate of potential damages in the cases where there is a reasonable likelihood that we will be affected. Our pending legal matters are reviewed on a quarterly basis and any provision we make is adjusted, depending on the specific developments or changes in each case. Our legal department, in conjunction with our external legal counsel, submits a status report which serves as the basis for calculating the provision. Based on our consultation with our legal counsel, the liability, if any, under these proceedings would not have a material adverse effect on our overall financial condition, results of operations or cash flows.

Principal factors affecting the results of operations

A number of principal factors affected our financial performance during fiscal years [2020, 2019 and 2018] and for the [first quarter of fiscal 2021]. These factors continue to affect our results of operations and financial performance and are discussed below.

Growth of Panama's GDP, our Customer Base and Demand for Electricity

Sales of electricity in Panama represented approximately all of our revenue in [2018, 2019 and 2020] and for the [first fiscal quarter of 2021]. The remainder of our revenue for these periods included income received from wheeling charges, pole rentals to third party commercial enterprises, connection and reconnection charges and electrical infrastructure contributions from real estate developers. As a Panamanian company with all of our assets and operations in Panama, we are significantly impacted by economic conditions in Panama. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of GDP in Panama because the levels of use of electricity by our customers is correlated to the level of economic activity in Panama as well as the demands of our customer base.

The actual amount of electricity distributed across our distribution network, in combination with the tariffs charged by us, significantly determines the amount of revenues that we earn. However, the volume of electricity distributed over our network is essentially a function of market demand for and usage of electricity by our customers within our concession area, and our ability to affect such demand is quite limited. Changes in demand for electricity are driven largely by general factors outside of our control, including changes in the level of economic activity in Panama, changes in the level of usage of electricity by our customers, our provision of electricity to new distribution customers and changes in the nature and mix of economic activity and industries in Panama. The level of utilization of our distribution network, and therefore the revenue we derive from our distribution network, varies from period to period in response to variations in such general factors. Electricity demand in Panama does not vary significantly on a seasonal basis.

We added approximately [7,993], [10,927], [12,821], and [12,555] additional customers in years [2018, 2019, 2020, and the first quarter of 2021] respectively. Real GDP in Panama grew at a compound average rate of [4.29]% from [2015] through [2019 (before the Covid-19 Pandemic)]. GDP in Panama increased by [3.6]% in [2018] and [3.0]% in [2019], but decreased by 17.9% in 2020 due to the impact of the Covid-19 pandemic, according to the General Comptroller Office of Panama or GCO (Contraloría General de la República). Overall, consumption of electricity in Panama decreased by [1.3]% in [2018], increased by [0.6]% in [2019], and decreased by [3.8]% in [2020]. The consumption of electricity by our consumers increased by [0.9]% in [2018], [3.0]% in [2019], and decreased by [7.7]% in 2020. The increase in electricity consumption from [2018] through [2019] was primarily due to an increase in the residential consumption and economic growth in the commercial sector in Panama. Decreases in 2020 were due to lockdowns in the residential and commercial sectors during the Covid-19 pandemic.

Prior to the Covid-19 pandemic, Panamanian GDP grew due to increased activities in the Colón Free Zone, construction and financial services sectors, ports, shipping and related canal operations; we anticipate that in 2021 and the subsequent years, the economy will recover and the growth prior to the Covid-19 pandemic will continue in the future. We believe that economic growth in Panama will positively impact our future revenues and results of operations. However, lack of growth or a recession in Panama will likely reduce our future revenue and is likely to have a negative impact on our results of operations.

Regulatory Tariff (VAD) Resets

Our revenues are dependent on our tariff structure, which establishes the rates we charge our regulated customers for distributing and selling electricity across our distribution network. ASEP establishes the distribution tariff, or VAD, that we may charge our customers. The VAD rates are set at a level to allow distribution companies to generate sufficient revenues to cover efficient investments, operating, maintenance, administrative and commercial expenses (including metering, billing and customer service), a standard level of loss and a reasonable return on invested capital. Due to our regulated tariff structure, our ability to generate revenue is effectively limited by these maximum tariff rates.

Every four years, the VAD component of our tariff rate is reset. The current VAD tariffs will remain in effect until June 30, 2022. The new formulas for the VAD tariff reset period will become effective July 1, 2022 and remain in place for a four-year period. The proper setting of the VAD is essential to our business because the VAD sets a ceiling for the revenues we can generate from the distribution network.

The distribution and commercial components of the VAD are adjusted every six months to reflect changes in the consumer price index of the GCO, or CPI.

Pass-Through of Energy Costs

In addition to the VAD tariff component, the tariffs for our regulated customers have a separate component that include the weighted average cost of energy we purchase from generators and in the spot market, transmission tolls paid to ETESA and public lighting energy consumption. This energy component is established by ASEP as a pass-through of our energy costs to our customers and is adjusted every six months to reflect the actual costs of energy due to the fluctuation in fuel price and energy prices in the spot market.

Energy Losses

Our ability to maintain and improve on our energy losses is an important factor to our financial performance. As a distributor, we suffer from both technical losses, those that occur in the ordinary course of the distribution of electricity or those resulting from the specific characteristics of our distribution network, and non-technical losses, those that result from illegal connections, fraud or billing errors. Since privatization, we have reduced our total energy losses from 24.0% in 1998 to [12.6]% ([6.0___]% technical and [6.6___]% non-technical) in [2020]. By minimizing our level of energy loss, we are able to generate more net income. We intend to have energy losses, ranging between 11.0% to 11.5% in the next few years, and aim to return to pre-pandemic energy losses, and then we expect to continue to trend positively to reach a sustainable level of energy loss around of 10.5%. This level of losses would allow expenditures for loss reduction initiatives to equal to the benefits derived from such expenditures. In order to be able to reach this goal and maintain our level of energy loss, we have allocated approximately US\$15 million to energy loss related capital expenditure projects, such as installing special conductors, protecting meters from tampering, and a program of prepaid meters.

Capital and Operating Efficiencies

We operate within a publicly open regulatory framework, which takes into account a number of factors in setting the tariffs we charge our customers. Every four years, ASEP sets the maximum tariff level for our VAD, which is a significant determinant of our operating results. Because our network tariffs are subject to these maximum levels, and the VAD component is based on our future operating and capital expenditures, as assumed by ASEP at the start of each such four-year period, we can increase our profitability if we are able to increase our operating and capital efficiencies during each four-year period beyond the levels assumed by the ERSP. This regulatory framework allows us to retain the benefit of the operating and capital efficiency gains we achieve during each four-years tariff period and provides incentives to earn higher returns through efficient operating and capital expenditures. If we do not meet ASEP's assumed future operating and capital expenditures or our maximum tariffs are set too low, then our actual costs may exceed the revenues permitted to be collected pursuant to our maximum allowable tariffs and we may see our profitability decrease or fall into a net loss position if our capital and operating expenditures exceed the level of expenditures assumed by ASEP.

Results of operations

Three months ended [March 31, 2021] compared to the three months ended [March 31, 2020]

The following table depicts Results of Operations for the [three months ended [March 31, 2021 and March 31, 2020] for the indicated categories:

Results of operations for [1Q 2021 and 1Q 2020]

(in US\$ million)	1Q 2021	1Q 2020
Total revenue	124.8	165.5
Purchase of energy and net transmission charges	91.8	123.6
Total operating costs and expenses	18.8	24.1
EBITDA	22.7	25.9
Depreciation and amortization	8.2	7.6
EBIT	14.2	17.8
Interest expense	5.0	4.6
Net income	6.4	9.4

Source: Company information

Revenues

Electric power sales for the [first quarter of 2021] resulted in [882.6] GWh, reflecting in a decrease of [48.9] GWh or [5.2]%, with respect to the same period during the previous year. The decrease of consumption as of March 31, 2021 was due to government mandated lockdowns during the Covid-19 pandemic implemented in the beginning of 2020 because of the increase of Covid-19 cases in Panama. The first three months of 2020 weren't impacted by the Covid-19 pandemic and showed a strong increase as compared to [the three months ended March 31, 2019].

On [March 31, 2021], the Company billed [491,283] customer accounts, which represents a [12,555] or [2.6]% increase in customer accounts relative to the prior end year. It is important to point out that [91.9]% of the customers are residential, but only consume [41.0]% of the total energy sold; the commercial sector representing [7.2]% of customer accounts consumes [22.2]% of the energy; the industrial sector representing approximately [0.1]% of customer accounts consumes [1.1]% of the energy; and the governmental sector represents [0.8]% of the customers and [12.9]% of the consumption. Public lighting consumption represents [2.2]% of power consumption. Additionally, large customers represent 20.6% of power consumption. In general, large customers are commercial.

Accumulated revenues for power sales as of [March 31, 2021] totaled US\$[124.8] million, US\$[40.8] million less than the same period of the previous year. Said decrease in revenues is comprised of: (i) a decrease of US\$[37.1] associated with pass through components such as energy generation, energy transmission and energy distribution losses, (ii) decrease of US\$[2.5] million at the added distribution value, and (iii) decrease of US\$[1.2] million in the unbilled revenue.

Purchase of energy and net transmission charges

Accumulated power purchase and transmission costs for the [first quarter of 2021] totaled US\$[91.8] million on [March 31, 2021], representing a decrease of US\$[31.8] million compared to the same period during the previous year. The decrease in costs is primarily due to a reduction in power purchase and transmission cost of US\$[16.0] million. Factors affecting the variation in accumulated power purchase and transmission costs during the [first quarter of 2021] include (i) a US\$[6.6] million decrease of consumption compared to the same period during the previous year and (ii) a decrease of US\$[9.5] million in the average purchase price of [1.1] cent/KWh with respect to the average purchase price of [13.5] cent/KWh by/as of [March 2020].

The fuel component adjustment accumulated as of [March 31, 2021] reflects a US\$[10.8] million decrease in purchasing costs, primarily due to accrual of current cost overruns compared to approved rates for this period. Currently, we have a consequence of US\$ 3.9 million due to the refund of regulatory liabilities

created in the past period from minor costs in comparison with the tariff. Second, there was a consequence of US\$ 6.9 million from the accrual of current cost overruns. This accumulation of cost overruns is presented as an account receivable for regulatory assets on our balance sheet

Operating costs and expenses

Operating expenses accumulated as of [March 31, 2021] totaled US\$.[18.8] million, representing a decrease of [5.3]% compared to the same period during the previous year. The following table details the operating costs and expenditures for [the three months ending March 31, 2021 and 2020:

Operating costs and expenses for the 3 months ended March 31, 2021 and 2020

(US\$ in thousands)	1Q 2021	1Q 2020	Variation	Var%
Salaries and other personnel related costs	3,977	3,961	16	0.4%
Provision for doubtful collection accounts, net	(475)	1,360	(1,835)	386.6%
Repairs and maintenance	855	1,658	(803)	(93.9%)
Contracted services	3,787	6,097	(2,310)	(61.0%)
Depreciation and amortization	8,194	7,589	605	(7.4%)
Administrative and others	2,102	2,934	(832)	(39.6%)
Loss in sale and discard of fixed asset	360	538	(178)	(49.4%)
Total	18,80000	24,137	5,337	(28.4%)

Source: Company information

The decrease in the operating costs and expenses was primarily impacted by the provision for doubtful collections accounts, net (which is related to a decrease in the amount of accounts receivable over 60 days past due), and the impact in contracted service due to a decrease of operations caused by the Covid-19 pandemic. The [48.4]% decrease in repairs and maintenance expenses and 37.9 % decrease in professional services are related with the decrease of the operation due to the Covid-19 pandemic. The depreciation expense reflects an increase of US\$[0.6] million product of the capitalization of assets associated with our capex program.

Interest expense

Interest expenses accumulated as of [March 31 ,2021] totaled US\$.[5.0] million, which compared to the same period of the previous year, reflect an increase of [9]%, associated with increased usage of our credit lines.

Net income

As a result of the above, we recorded a net income of US\$[6.4] million, or [5.2]% of revenues in [1Q 2021] compared to net income of US\$[9.4] million, or [5.7]% of revenues, in [1Q 2020].

Year ended [December 31, 2020] compared to the year ended December 31, [2019]

The following table depicts Results of Operations for the years ended [December 31, 2020] and [December 31, 2019] for the indicated categories:

Results of operations for FY [2020] and FY [2019]

(US\$ in millions)	FY 2020	FY 2019
Total revenue	561.4	740.8
Purchase of energy and net transmission charges	422.0	586.5
Total operating costs and expenses	90.9	84.9
EBITDA	84.1	100.7
Depreciation and amortization		
Depreciation and amortization	34.6	30.3
EBIT	48.5	69.4

(US\$ in millions)	FY 2020	FY 2019
Interest expense	20.2	19.0
Net income	20.2	33.2

Source: Company information

Revenues

Electric power consumption for the year ending December 31, 2020 resulted in [3,471] GWh, reflecting a decrease of [290] GWh or [7.7]%, with respect to the same period of the previous year. The decrease of consumption is mainly due to government mandated lockdowns during the Covid-19 pandemic, especially in commercial, industrial, and government sectors. The electric power consumption in the residential sector increased 122.5 GWh or 9.2% due to people spending more time in their homes, but this increase wasn't enough to cover the decrease in the commercial and industrial sectors of 362 GWh, or 19.5%, with respect to the same period of the previous year.

As of December 31, 2020, the Company billed [478,728] customer accounts, which represents a [12,821] or [2.8]% increase in customer accounts relative to the previous year. It is important to point out that [91.7]% of the customers are residential, but only consume [41.0]% of the total energy sold; the commercial sector representing [7.4]% of customer accounts consumes [22.2]% of the energy; the industrial sector representing approximately [0.1]% of customer accounts consumes [1.1]% of the energy; and the governmental sector representing [0.8]% of customer accounts consumes [12.9]% of the energy. Public lighting consumption represents [2.2]% of total power consumption. Additionally, large customers represent 20.6% of power consumption. In general, large customers are commercial.

The accumulated revenues for power sales and other income as of December 31, 2020 totaled US\$[561.4] million, US\$[179.3] million less than the same period of the previous year, primarily due to a [18]% reduction in the average price of billed power, as well as a [270] GWh reduction in the volume of energy sold. This US\$[179.3] million decrease is mainly comprised of (i) US\$[162.3] million associated with the tariff generation component and (ii) US\$[17.0] million due to a decrease in the added distribution value.

Purchase of energy and net transmission charges

Accumulated power purchase and transmission costs as of December 31, 2020 totaled US\$[422.0] million, which represents a decrease of US\$[164.5] million compared to the same period during the previous year. This variation is largely attributable to: (i) a [20.1]% decrease in the average power purchase cost from [15.8] cent/kWh in 2019 to [12.7] cent/kWh in 2020 resulting in US\$[106.0] millions of minor costs, and (ii) a [369] GWh or US\$[58.5] million decrease in the volume of power purchased with respect to the same period of the previous year. **Operating costs and expenses**

Operating expenses accumulated by/as of December 31, 2020 totaled US\$[90.9] million, or an increase of [6.6]%, compared to the previous year. The following table details the increase and decrease in expenditures for both compared periods:

Operating costs and expenses for fiscal years 2020 and 2019

(US\$ in thousands)	FY 2020	FY 2019	Variation	Var%
Salaries and other personnel related costs	15,130	13,216	1,914	12.6%.
Provision for doubtful collection accounts, net	11,732	4,229	7,503	64.0%.
Repairs and maintenance	3,549	5,247	(1,698)	(47.8%)
Contracted services	15,588	21,294	(5,706)	(36.6%)
Depreciation and amortization	34,567	30,330	4,237	12.3%.
Administrative and others	9,285	9,568	(283)	(3.0%)
Loss in sale and discard of fixed asset	1,050	1,001	49	4.7%.
Total	90,901	84,885	6,016,016	6.6%.

Source: Company information

The increase in the operating cost and expenses was primarily impacted by the provision for doubtful collections accounts and net, which is related to an increase in the number of customer accounts over 60 days past due to the COVID-19 pandemic. The rest of the concepts decreased due to decrease of operations. The depreciation expense reflects an increase of US\$4.2 million due to capitalization of assets associated with our capex program.

Interest expense

Interest expenses accumulated up to the end of year [2020] totalled US\$.[20.2] million, which, when compared to the same period of the previous year, reflect an increase of [6%]%, associated with increased usage of our credit lines.

Net income

As a result of the above, we recorded a net income of US\$[20.2] million, or [3.6] % of revenues, in 2020 compared to a net income of US\$33.2 million, or 4.5% of revenues in [2019].

Year ended December 31, [2019] compared to the year ended December 31, [2018]

The following table depicts Results of Operations for the years ended December 31, [2019] and December 31, [2018] for the indicated categories:

Results of operations for FY [2019] and FY [2018]

(in US\$ million)	FY 2019	FY 2018
Total revenue	740.8	683.9
Purchase of energy and net transmission charges	586.5	537.0
Total operating costs and expenses	84.9	85.5
EBITDA	100.7	92.6
Depreciation and amortization	30.3	29.9
EBIT	69.4	61.4
Interest expense	19.0	16.7
Net income	33.2	33.3

Source: Company information

Revenues

Electric power consumption for the year ending December 31, [2019] resulted in [3,760] GWh, reflecting an increase of [110.5] GWh or [3.0]%, with respect to the same period of the previous year. The main economic sector that promoted this growth was the residential and government sectors with a rate of [5.3]% and [15.3]%, respectively. The commercial and industrial sectors recorded a slight decrease in consumption of [1.39]%.

As of [December 31, 2019], the Company billed [465,907] customer accounts, which represents a [10,927] or [2.4]% increase in customer accounts relative to the previous year. It is important to point out that [91.5]% of the customers are residential, but only consume [35.4]% of total energy sold; the commercial sector representing [7.7]% of customer accounts consumes [32.4]% of the energy; the industrial sector representing approximately [0.1]% of customer accounts consumes [2.2]% of the energy; and the governmental sector representing [0.8]% of customer accounts consumes [13.5]% of the energy. Public lighting consumption represents [1.8]% of total power consumption. Additionally, large customers represent 14.7% of power consumption. In general, large customers are commercial

The accumulated revenues for power sales and other income as of [December 31, 2019] totaled US\$[740.8] million, US\$[56.9] million more than the same period of the previous year, primarily due to a [5.1]% increase in the average price of billed power of [19.69] cent/kWh, as well as a [110.5] GWh increase in the volume of energy sales. This US\$[56.9] million increase is mainly comprised of (i) US\$[46.3] million associated with the tariff generation component and (ii) US\$[10.6] million due to an increase in the added distribution value.

Purchase of energy and net transmission charges

The accumulated power purchase and transmission cost as of December 31, 2019 totaled US\$[586.5] million, which represents an increase of US\$[49.5] million compared to the same period of the previous year. This variation is largely attributable to: (i) a [11.3]% increase in the average power purchase cost from [14.23] cent/kWh in [2018] to [15.84] cent/kWh in [2019], resulting in US\$[59.7] million of additional costs, and (ii) a [72.2] GWh or US\$[10.3] million decrease in the volume of power purchased, with respect to the same period of the previous year.

Operating cost and expenses

Operating expenses accumulated up to the fourth quarter of [2019] totaled US\$[84.9] million. The following table details the increase and decrease in expenditures for both compared periods:

Operating costs and expenses for fiscal years 2020 and 2019

(US\$ in thousands)	FY 2019	FY 2018	Variation	Var%
Salaries and other personnel related costs	13,216	14,306	(1,089)	(8.2%)
Provision for doubtful collection accounts, net	4,229	1,889	2,340	55.3%.
Repairs and maintenance	5,247	4,325	922	17.6%.
Contracted services	21,294	22,010	(716)	(3.4%)
Depreciation and amortization	30,330	29,879	451	1.5%.
Administrative and others	9,568	11,719	(2,151)	(22.5%)
Loss in sale and discard of fixed asset	1,001	1,381	(380)	(38.0%)
Total	84,885	85,509	(624)	(0.7%)

Source: Company information

The change in the provision for doubtful collection accounts represents the significant increase in operating costs and is a result of the implementation of the new model under IFRS 9 and their impact of the proactive effect of this rule. The decrease in expenditures of contracted and administrative services is mainly derived from new negotiations with vendors and control of administrative services.

Interest expense

Interest expenses accumulated as of December 31, 2019 totaled US\$[19.0] million, which compared to the same period of the previous year reflect an increase, mainly due to the change of short-term debt to long-term debt with the new Commercial Loan issued with Scotiabank, and a higher rate than the short-term debt utilized in 2018.

Net income

As a result of the above, we recorded a net income of US\$[33.2] million, or [4.5]% of revenues, in 2019, compared to a net income of US\$[33.3] million, or 4.9% of revenues in 2018.

Year ended December 31, 2018 compared to the year ended December 31, 2017

The following table depicts Results of Operations for the years ended December 31, 2018 and December 31, 2017 for the indicated categories:

Results of operations for FY 2018 and FY 2017

(in US\$ million)	FY 2018	FY 2017
Total revenue	683.9	636.8
Purchase of energy and net transmission charges	537.0	492.1
Total operating costs and expenses	85.5	84.2
EBITDA	92.6	90.6
Depreciation and amortization	29.9	27.6
EBIT	61.4	60.6
Interest expense	16.7	14.3
Net income	33.3	32.4

Source: Company information

Revenues

Electric power consumption for the year ending December 31, 2018, resulted in [3,650] GWh, reflecting an increase of [33] GWh or [0.9]%, with respect to the same period of the previous year. The main economic sectors recorded a slight growth in the residential sector with a rate of [0.7]%, the industrial and commercial sectors with a rate of [1.1]%, and the government sector with a rate of [1.1]%.

As of December 31, 2018, the Company billed [454,980] customer accounts, which represents [7,993] customers, or [1.8]% increase in customer accounts, relative to the previous year. It is important to point out that [91.5]% of customers are residential, but only consume [34.6]% of the total energy sold; the commercial sector representing [7.6]% of customers consumes [38.0]% of the energy; the industrial sector representing approximately [0.1]% of customer accounts consumes [3.8]% of the energy; and the governmental sector representing [0.8]% of customer accounts consumes [12.0]% of the energy. Public Lighting consumption represents [1.8] % of the total consumption. Additionally, large customers represent 9.7% of total power consumption. In general, large customers are commercial.

The accumulated revenues for power sales and other income as of December 31, 2018 totaled US\$[683.9] million, or US\$[47.1] million more than the same period of the previous year. This variation is due to (i) a [6.4]% or [1.13] cent/kWh increase in the average price of billed power and a corresponding increase in revenues of US\$[41.3] million associated with the tariff generation component and (ii) a US\$[5.8] million increase in volume of electricity sold related to a [0.9]% increase in the consumption of electric energy and the incorporation of [14,233] new customers.

Purchase of energy and net transmission charges

The accumulated power purchase and transmission cost as of December 31, 2018 totaled US\$[537.0] million, which represents a net increase of US\$[44.9] million compared to the same period of the previous year. This variation is largely attributable to (i) an [11.5]% increase in the average power purchase cost

from [12.75] cent/kWh in 2017 to [14.23] cent/kWh in 2018, resulting in US\$[55.6] million of higher costs, and (ii) an [83.6] GWh or US\$[10.7] million decrease in the volume of power purchased, with respect to the same period of the previous year.

Operating cost and expenses

Operating expenses accumulated as of December 31, 2018 totaled US\$[85.5] million. The following table describes the increase and decrease in expenditures for both compared periods:

Operating costs and expenses for fiscal years 2018 and 2017

(US\$ in thousands)	FY 2020	FY 2019	Variation	Var%
Salaries and other personnel related costs	14,306	13,700	606	4.2%.
Provision for doubtful collection accounts, net	1,889	2,628	(739)	(39.2%)
Repairs and maintenance	4,325	3,477	848	19.6%.
Contracted services	22,010	21,130	880	4.0%.
Depreciation and amortization	29,879	27,550	2,329	7.8%.
Administrative and others	11,719	13,258	(1,538)	(13.1%)
Loss in sale and discard of fixed asset	1,381	2,440	(1,059)	(76.7%)
Total	85,509	84,182	1,326	1.6%.

Source: Company information

The increases recorded under contracted services, repairs and maintenance, and depreciation and amortization are typical of the organic growth of the distribution network. The most significant decrease is displayed under provision for doubtful collection accounts, largely due to an improvement in collection management with more cut-off of services.

Interest expense

Interest expenses accumulated as of December 31, 2018 totalled US\$[16.7] million, which compared to the same period of the previous year, reflect an [increase] of US\$[2.5] million, resulting from a higher use of short term credit facilities and mainly due to increased investments in fixed assets for our distribution network.

Net income

As a result of the above, we recorded a net income of US\$[33.3] million, or [4.9]% of revenues, in 2018 compared to a net income of US\$[32.4] million, or [5.1]% of revenues in 2017.

Liquidity and capital resources

Our primary sources of liquidity are funds generated from operations, and to a lesser extent, short-term financing lines with prime financial institutions in Panama. Our primary use of cash is to purchase electricity from electricity generation companies and process it for sale, distribution to our electricity distribution customers, and to invest in fixed assets (capex) for our distribution network. We believe that our sources of liquidity are sufficient to satisfy our requirements.

We intend to use the net proceeds of this offering to pay in full the current outstanding short-term indebtedness of ENSA due in July 2021. See "Use of Proceeds."

As of [March 31, 2021], we had cash and equivalents of US\$[42.9] million and outstanding aggregate indebtedness of US\$280.0] million. As of December 31, 2020, we had cash and equivalents of US\$[54.1] million. As of December 31, 2019, we had cash and equivalents of US\$[25.5] million. As of December 31, 2018, we had cash and equivalents of US\$[6.2] million.

We currently have short-term credit facilities with an availability of up to US\$[52.4] million, on which we recorded an average usage of US\$[39.1] million in 2020, US\$[15.8] million in 2019, and US\$[101.2] million in 2018. For these three years, our largest aggregate outstanding amount under these facilities at any one

point reached US\$[145] million in August 2018. During the [first quarter of 2021], we did not make use of these short-term credit facilities.

We did not pay dividends during the [first quarter of 2021] or the fourth quarter of 2020. We paid dividends in the last quarter of 2019 in the amount of US\$ 23.4 million.

More detailed information regarding our cash flow is set forth below.

Cash Flows

The following table sets forth certain information about our cash flows for the years ended December 31, 2020, 2019, and 2018, as well as for [the three months ending March 31, 2021 and 2020]:

Summary of Cash Flows through Fiscal Years 2018-2021

(US\$ in millions)	Q1 2021	Q1 2020	FY 2020	FY 2019	FY 2018
Cash flow from operational activities					
Net Income	6.4	9.4	20.2	33.1	33.3
Non-cash adjustments to net income	12.9	19.8	81.5	87.8	60.9
Net changes in working capital	(20.3)	(23.8)	(6.0)	(40.8)	9.9
Net cash provided by operating activities	(0.9)	5.4	95.8	80.1	104.1
Cash flows from investing activities					
Capital expenditures and acquisition of assets	(10.3)	(8.9)	(39.2)	(51.6)	(65.5)
Proceeds from the sale of fixed assets					
Net cash used in investing activities	(10.3)	(8.9)	(39.2)	(51.6)	(65.5)
Cash flow from financing activities					
(Repayment) proceeds from short-term debt	0.1	32.1	(24.5)	13.5	(15.7)
Other financing cash flows	(0.1)	(0.1)	(3.5)	0.7	(0.3)
Dividends paid				(23.4)	(21.0)
Net cash used in financing activities	0.1	32.0	(28.0)	(9.3)	(37.0)
Cash and cash equivalents					
Net increase (decrease) in cash	(11.1)	28.6	28.5	19.3	1.7
Cash at the beginning of the period	54.0	25.5	25.5	6.2	4.6
Cash at the end of the period	42.9	54.1	54.0	25.5	6.2
Supplemental disclosure of cash flows					
Cash paid during the year:					
Interest, net of amounts capitalized	0.4	5.2	20.0	18.5	15.8
Income tax	-	2.2	64.8	8.5	18.1

Source: Company information

Net Cash Flows from Operating Activities

Net cash flows provided from operating activities was negative by US\$[0.9] million for [the three months ended March 31, 2021] compared to a [positive] position of US\$[5.4] million in the same period of 2020. Our net income in the [first quarter of 2021] was US\$[6.4] million, or a US\$[3.0] million [decrease] compared to the same period in 2020. Non-cash adjustments to net income were US\$[12.9] million in [the first quarter of 2021] compared to a [positive] US\$[19.8] million in the same period in 2020. The [increase] in non-cash adjustments for [the three month period ending March 31, 2021] is primarily attributable to (ii) the effect of depreciation and amortization with the increase of the amount due to the existence of more fixed assets (ii) less income tax adjustments of US 5.8 million in the first quarter of 2021 and (iii) a reduction in the provision for doubtful collection accounts of US\$ 1.8 million.]

Changes in operating assets and liabilities had a [negative] impact of US\$[20.3] million on our cash flows from operating activities for [the three months ended March 31, 2021] compared to a US\$[23.8] million [negative] impact in the same period of 2020. The [decrease] in operating assets and liabilities in [the quarter of 2021] is primarily the result of (i) a US\$15.4 million [decrease] in payable accounts of generation companies (ii) a decrease of US\$ 7.6 million mainly associated with the Panamanian Government subsidy. And (iii) the increase in regulatory assets of US\$ 7.6 million.

Net cash flows provided from operating activities was US\$[95.8] million in 2020 compared to US\$[80.1] million in 2019. Our net income in 2020 was US\$[20.2] million, or a US\$[12.9] million [decrease] compared to 2019. Non-cash adjustments to net income were [positive] US\$[81.5] million in 2020 compared to US\$[87.8] [increase] in 2019. The [positive] impact of US\$[81.5] million in 2020 is primarily the result of US\$[11.7] million [positive] impact of provision for doubtful collection accounts, US\$7.7 million of accruals related to penalties of service interruptions, and US\$[34.6] million of depreciation expenses. The US\$[87.8] million [increase] in non-cash adjustments in 2019 is primarily the result of US\$[29.8] million of income tax adjustments, US\$ 19.0 million of financial expenses, and US\$[30.3] million of depreciation expenses.

Changes in operating assets and liabilities had a negative impact of US\$[6.0] million on our cash flows from operating activities in 2020 compared to a negative impact of US\$[40.8] million in 2019. The [decrease] in operating assets and liabilities of US\$[6.0] million in 2020 is primarily the result of a US\$[34.1] million reduction in net income tax payable and an [increase] in materials, supplies, and spare parts inventory of US\$[0.3] million, US\$ 19.5 interest paid, and US\$5.6 million in changes of regulatory deferred accounts partially offset by a US\$[3.3] million increase in accounts receivable and a US\$[51.2] million [increase] in accounts payables mainly associated with generation and transmission accounts. The US\$[40.8] million decrease in operating assets and liabilities in 2019 is primarily the result of a [decrease] of US\$[34.6] million in payable accounts and an [increase] in trade receivables of US\$[7.6] million, an increase of US\$ 5.1 million in inventories, and US\$19.2 million interest paid. These cash flow contributions were partially offset by a [decrease] in regulatory deferred account assets.

Net cash flows provided from operating activities was US\$[104.1] million in 2018 consisting of a net income of US\$[33.3] million, US\$[60.9] million in non-cash adjustments to net income, and US\$[9.9] million increase in operating assets and liabilities. The [increase] of US\$[60.9] million in non-cash adjustments is primarily the result of US\$[29.9] million of depreciation expenses, US\$[1.9] million of provision for doubtful accounts, and financial expenses of US\$ 16.7 million.

The US\$[9.9] million [increase] in operating assets and liabilities in 2018 is primarily the result of an [increase] in trade accounts payable and other liabilities of US\$[85.6] million and a [decrease] in inventories of US\$[4.2] million partially offset by an increase in accounts receivable of US\$ 34.6 million, income tax paid of US\$[15.8] million, interest paid of US\$ 17.0 million, and US\$12.6 million changes in regulatory deferred accounts.

Cash Flows from Investing Activities

Cash used in investing activities was US\$[10.3] million for [the three months ended March 31, 2021] compared to US\$[8.9] million in the same period of 2020. This [increase] of US\$[1.4] million was primarily due to more investments on expansion of the distribution grid.

Cash used in investing activities was US\$[39.2] million in 2020 compared to US\$[51.6] million in 2019. This decrease of US\$[12.3] million compared to the previous year is because of the Company's postponed investments from 2020 to 2021 due to the effects of the Covid-19 pandemic.

Cash used in investing activities was US\$[51.6] million in 2019 compared to US\$[65.5] million in 2018. The US\$[13.9] million [decrease] was primarily a/the result of the reduction of the investments required by the current tariff period compared to the previous tariff period.

Cash Flows from Financing Activities

Cash used by financing activities was positive by US\$[0.1] million for [the three months ended March 31, 2021] compared to a [positive] position of US\$[32.0] million for the same period in 2020. This US\$[31.9] million variance was primarily due to the fact that the Company did not take on new debt or issue dividends in this current period. The same period in 2020 showed a finance of short-term loans of US\$ 32.1 million.

Cash used by financing activities was negative by US\$[28.0] million in 2020 compared to a [negative] result of US\$[9.3] million in 2019. The US\$[18.8] million variance in 2020 was primarily due to the US\$[24.5] million short-term loan payments to our banks. In 2019, we received proceeds of US\$[3.5] million from our

banks' short-term credit facilities, and we processed dividend payments to our shareholders of US\$ 23.4 million.

Cash used for financing activities was a [negative] US\$[9.3] million in 2019 compared to a [negative] impact of US\$[37.0] million in 2018. This US\$[27.7] million variance in 2019 was primarily due to the fact that we paid a short-term debt in 2018, and we received proceeds from bank loans in 2020.

Indebtedness

Our principal sources of liquidity are available in cash, cash flows from operations, and borrowings under our (i) long-term US\$[180] million Senior Notes, (ii) long-term US\$[100] million Commercial Loans, and (iii) revolving credit facilities that we have, such as Banistmo, Bank of Nova Scotia, Banco General, S.A., Banco Latinoamericano de Comercio Exterior S.A., Citibank, Bac Panamá, Banco Davivienda Panamá, S.A., Banesco, and Caja de Ahorros; which total an aggregate credit line of US\$[352.4] million as of [March 31, 2021.]

As of [March 31, 2021], our total outstanding indebtedness was US\$[278.9] million, consisting of US\$[0] million of short-term indebtedness and US\$[278.9] million representing the long-term indebtedness, as a result of the issuance of Senior Notes and Commercial Loans.

Short-term indebtedness

We did not have any change in short-term indebtedness during the first quarter of 2021. In 2020, we closed the period with a non-balance of short-term debt. We maintain revolving credit lines with local prime banks. We have an aggregate credit line of US\$[352.4] million under our [nine] revolving credit facilities. We maintain credit lines with: (i) Banco General, S.A., in the amount of US\$[25.0] million, (ii) Bank of Nova Scotia in the amount of US\$[75.0] million, (iii) Banistmo with US\$[7.4] million, (iv) Banco Latinoamericano de Comercio Exterior with US\$[50.0] million, (v) Citibank, N.A. with US\$[50.0] million, (vi) Banesco with US\$[50.0] million, (vii) Bac Panamá with US\$[40.0] million, (viii) Davivienda with US\$[35.0] million, and (ix) Caja de Ahorros in the amount of [20.0] million. Each of these credit lines applied interest of LIBOR plus rates ranging between [0.50]% and [2.5]%, and our borrowings under each of these nine credit facilities are unsecured.

We use our short-term credit facilities for the issuance of promissory notes or the issuance, negotiation, and refinancing of letters of credit with a maximum tenor of up to one year. As of [March 31, 2021], we had no borrowings under our short-term credit facilities and approximately US\$[13.6] million in letters of credit to guarantee our payment obligations to ETESA.

Certain short-term credit facilities contain customary affirmative and negative covenants for unsecured credit facilities of this type, including, but not limited to, the provision of financial statements, compliance certificates, and limitations on granting guarantees.

In addition, certain credit facilities require that we meet and maintain specific financial ratios and tests, including a funded debt to EBITDA ratio of no higher than [3.5 to 1] due to the credit lines related to the conditions of the Notes. The definition of EBITDA for purposes of our short term credit facilities' financial test is different from our definition of EBTIDA used elsewhere in this Offering Memorandum.

We have been in compliance with all of our financial covenants under our outstanding indebtedness. Our ability to comply with these covenants and to meet and maintain such financial ratios and tests may be affected by events beyond our control, such as those described under "Risk Factors." If we do not meet and maintain these financial ratios, we may not be able to borrow, and the lenders could accelerate all amounts outstanding to be immediately due and payable, which could also trigger a similar clause under other agreements.

Certain short-term credit facilities contain customary events of default, including, but not limited to, failure to pay principal, interest or fees, failure to observe any covenant, failure of any representation or warranty to be true in all material respects when made or deemed made, defaults under other debt instruments,

changes in the regulatory environment that materially hinder our ability to make payments on time, loss of a permit or license required to do business, and government seizure of substantially all of our assets.

We believe that both the funds available under our short-term credit facilities, as approved by our Board of Directors, and the funds generated by our operations will be sufficient to finance our working capital needs based on current market conditions.

Long-term indebtedness

The Company has notes payable under a senior debt agreement (“Senior Notes”) totaling US\$100,000,000, which is recorded at US\$99,782,223, and a net of US\$217,777 unamortized discount as of March 31, 2021. The Senior Notes have a fixed interest rate of 7.6%, payable semi-annually, and mature in 2021. Principal payment is due upon maturity. The notes maintain a senior credit position and are unsecured. The Company may redeem the Senior Notes, in whole or in part, at any time prior to their maturity thereof upon complying with certain conditions, including payment of a specified make-whole premium. The obligations include among other provisions a debt coverage ratio, which provides a debt limit not exceeding 4.00 times of its EBITDA.

The Company has notes payable under a senior debt agreement (“2021 Notes”) totaling US\$80,000,000, which is recorded at US\$79,224,331, and a net of US\$775,669 unamortized discount as of March 31, 2021. The 2021 Notes have a fixed interest rate of 4.73%, payable semi-annually and maturing in 2027. Principal payment is due upon maturity. The 2021 Notes maintain a senior credit position and are unsecured. The Company may redeem the 2021 Notes, in whole or in part, at any time prior to their maturity thereof upon complying with certain conditions, including payment of a specified make-whole premium. The obligations include among other provisions a debt coverage ratio, which provides a debt limit not exceeding 4.00 times of its EBITDA.

The Company has a commercial loan with The Bank of Nova Scotia of US\$ 100,000,000 (“Commercial Loan”), which is recorded at US\$ 99,936,246, and a net of US\$ 63,754 unamortized discount as of March 31, 2021. The Commercial Loan has a fixed interest rate of 4.25%, payable monthly and maturing in 2023. Principal payment is due upon maturity. The Commercial Loan maintains a senior credit position and is unsecured. The Company may redeem the Commercial Loan, in whole or in part, at any time prior to their maturity thereof upon complying with certain conditions, including payment of a specified make-whole premium. The obligations include among other provisions a debt coverage ratio, which provides a debt limit not exceeding 4.00 times of its EBITDA. In April 2021, the Company received the acceptance to modify said covenant from the bank to set it at 4.0x Net Debt (Long-term debt minus Cash) EBITDA.

Contractual commitments and capital expenditures

The following table summarizes significant unconditional long-term contractual obligations as of [March 31, 2021]:

Significant unconditional long-term contractual obligations – March 31, 2021

(US\$ in thousands)	2021	2022	2023	2024	Hereafter	Total
Purchase obligations ^(a)	274,319	366,326	450,587	447,210	2,498,563	4,037,005
Operational leases ^(b)	191.7	189.9	110.2	-	-	491.8
Total contractual obligations	274,511	366,515	450,697	447,210	2,498,563	4,037,497

(a) Represents purchase commitments for electricity capacity pursuant to binding obligations with electricity generators. The applicable purchase prices for purchases of capacity under our power purchase agreements include “take or pay” provisions. The amount of our obligations above do not include our commitments for energy purchased from these generators, as these amounts depend on customer consumption as well as the then current fuel price. Due to our ability to pass through energy costs to our customers, we have consistently met our obligations to pay electricity generators, whether pursuant to our power purchase agreements or when we purchase electricity in the spot market.

(b) The Company has entered into a seven-year non-cancellable operative lease agreement, whose term began in June 2010, for the use of offices and operational facilities. As of [March 31, 2021 and 2020, total operating leasing expenses was US\$ [0.1] (2020 US\$ [0.2]).

Source: Company information

Capital expenditures

Capital expenditures consist primarily of projects to expand our distribution network to meet the demand for additional customer connections and reduce energy losses and, to a lesser extent, distribution network reinforcement projects intended to improve network reliability and quality of service.

Prior to undertaking any capital expenditures, we model the impact that each proposed capital expenditure would have on network reliability and quality of service measures and make those capital expenditures that would further enhance network reliability and quality of service at the lowest cost. All our capital expenditures are individually analyzed and assessed and are reviewed and approved by the Board of Directors prior to being undertaken.

Our capital expenditures for [the three months ended March 31, 2021 and March 31, 2020] were US\$[10.6] million and US\$[7.6] million, respectively. Our capital expenditures were US\$[41.1] million, US\$[49.4] million, and US\$[64.1] million for the years ended December 31, 2020, 2019, and 2018, respectively. Our principal capital expenditure projects during 2018 through 2020 and for [the three months ended March 31, 2021 and March 31, 2020] were:

Historical capital expenditure detail

(US\$ in thousands)	1Q2021	1Q2020	2020	2019	2018
Loss reduction ^(a)	2,358	1,000	7,567	2,110	4,082
Expansion ^(b)	1,396	2,729	8,057	20,675	35,177
Reliability improvements ^(c)	1,522	1,315	4,753	5,415	5,250
Safety and lighting ^(d)	504	289	2,851	3,023	1,746
Billing and management systems ^(e)	849	207	5,486	7,397	7,362
Meter installation and relocation ^(f)	2,934	868	8,183	4,280	4,957
Capitalized labor and interest	1,045	1,170	4,220	6,490	5,525
Total	10,607	7,577	41,116	49,390	64,099

(a) Represents projects focused on recovering non-technical energy losses, such as installing special conductors, protecting meters from tampering, and replacing transformers and cables.

(b) Represents investments associated with the addition of new customers (residential, commercial or industrial) and new substations.

(c) Represents investments targeted at improving the quality of our distribution network.

(d) Represents installation of new streetlights as consequence of new projects and customers within our concession area and also includes the replacement of damaged streetlights.

(e) Represents investment in information technologies, such as new hardware and software.

(f) Represents installation of meters for new customers, as well as the relocation of pre-existing meters.

Source: Company information

The Concession Contract does not require us to make any specific level of capital expenditures or investments, other than for remedial environmental work and for certain electrification projects. The remedial work is described in the environmental report by the Panamanian Government's consultants, Golder Associates or Golder. Although not required, a significant proportion of our capital expenditure program is designed to improve the service quality required under the Concession Contract and related regulations. Expenditures are also focused on expanding our distribution grid at a pace that accommodates the increasing customer base.

We have spent US\$[10.6] million in capital expenditures during [the first quarter of 2021] and have US\$[44.7] million budgeted for the remainder of 2021, primarily for the expansion of our distribution network as well as meter installations and relocations. We have budgeted US\$[48.4] million in 2022 for capital expenditures. The capital expenditure budget for 2022 includes approximately US\$[49.2] million for the expansion of the distribution system, including new substation extensions, approximately US\$[44.2] million, to upgrade our distribution system, and approximately US\$[5.0] million for upgrades to our information technology systems.

Our business plan calls for capital expenditures of approximately US\$[47.0] million in the year [2023]. The business plan includes more than US\$[38.0] million for the expansion of our distribution system, US\$[4.0] million for modernization of our distribution systems, and US\$[5.0] million for investments in information systems.

Off-balance sheet arrangements

In the normal course of business, we are a party to certain off-balance sheet arrangements. These arrangements include guarantees and financial instruments with off-balance sheet risk, such as bank letters of credit and performance guarantees. No liabilities related to these arrangements are reflected in our balance sheets, and we do not expect any material adverse effects on our financial condition, results of operations or cash flows to result from these off-balance sheet arrangements.

Our Concession Contract requires us to secure our obligations with a [US\$15.0] million performance guarantee in favor of the ASEP throughout the term of our concession. We typically secure these obligations by using yearly renewable performance guarantees, each an off-balance sheet instrument because they are from third-party providers as required by our Concession Contract under unsecured reimbursement obligations. The use of performance guarantees is less expensive for us than the alternative of posting an all cash guarantee. As of [March 31, 2021], we had an outstanding performance guarantee totalling US\$[15] million in favor of the Panamanian Government to comply with our Concession Contract. Under our power purchase agreements, we are required to provide an annual performance guarantee equal to the value of our average monthly consumption at the contracted average overall price. As of March 31, 2021, we had an outstanding performance guarantee totalling US\$[39.2] million in favor of the generators to comply with our PPAs. We also use letters of credit to guarantee payments for the transmission charges to ETESA and to guarantee payment of our regional and spot market energy purchases. As of [March 31, 2021], we had US\$[13.6] million in letters of credit to guarantee our payment obligations to ETESA.

Quantitative and qualitative disclosure about market risk

We are exposed to specific risks in the conduct of our business and the business environment in which we operate. These risks include, or have historically included, exposure to derivative liquidity, interest rates, inflation, regulatory tariff resets, and customer credit risks arising in the normal course of our business. Generally, our overall objective is to ensure that we understand, measure, and monitor these various risks, and take appropriate actions to minimize our exposure to such risks. Our policies for managing each of these risks are described below.

Liquidity risk

We have adopted liquidity risk management practices that are intended to maintain sufficient cash and liquid financial assets. We maintain short-term financing lines with prime financial institutions in Panama that provide us with the required operational flexibility to comply with our electricity purchases and other obligations. For more information see “Liquidity and Capital Resources.”

Because we reinvest our operating funds to support our yearly capital expenditure program, we do not have significant amounts of cash on a surplus basis for additional investments.

Interest rate risk

In order to minimize the impact of interest rate fluctuations on our cash flows, we have a practice of negotiating spreads with our preferred banking institutions. Over the past three years, we have been able to reduce the spreads with respect to our short-term unsecured credit facilities from [2.50]% to [0.65]%. Historically, we have not used interest rate swaps and similar derivatives to hedge our exposure to interest rate risks.

The interest rate on our Senior Notes is fixed at 7.60%, the Notes that are due in 2027 are also fixed at 4.73%, and the Commercial Loan is also fixed at 4.25%, therefore no risk should be experienced with regards to interest rate fluctuations.

Regulatory tariff reset risk

Our maximum permitted tariff levels for our distribution and customer service charges, which are a significant determinant of our operating results, are set by ASEP every four years in a transparent process with participation of the electricity distributors. Our current tariff is scheduled to expire on June 30, 2022. Our maximum tariff levels include amounts for operating, maintenance, administrative, and commercial expenses, as well as a standard level of distribution energy losses and a reasonable return on our invested capital. Each of these costs and rates of return are determined by ASEP, based on the expenses and returns of comparable companies. If we exceed ASEP's assumptions and our future operations, maintenance expenses, and capital expenditures are lower than the amount included in the tariff charges, we may generate a higher return on our fixed net assets, but, if our future cost is higher, then we may generate a lower return on our fixed net assets. Furthermore, if our projected VAD is set at an amount greater than our actual costs for that VAD tariff reset period, we could be subject to customer credits.

We minimize our regulatory risk by working with the Panamanian Government and our regulators to ensure that the regulatory framework is transparent and allows full cost recovery and a satisfactory return on our investments to the greatest extent possible. To achieve favorable regulatory outcomes, we promote efficiency and work closely with our regulator on pricing and consumer-related issues. We also proactively manage our consumers and seek their feedback on pricing and services.

We meet regularly with Panamanian Government officials and regulators to share information in relation to our business. The objective of this close-working relationship with the Panamanian Government is to encourage the adoption of policies that allow us to earn a reasonable return on invested capital and maintain predictable cash flows. We intend to continue to work with ASEP to attain reasonable maximum tariffs for our distribution and customer service charges upon each regulatory reset of the maximum tariffs.

Customer credit risk

Our customer credit risks are managed in large part by requesting the equivalent of one month's invoicing as a security deposit for all new clients. Existing clients with good payment history may open additional accounts without this security deposit. We have no significant concentration of credit risk with respect to non-governmental third parties.

Our industrial, commercial, and temporary customers generally provide deposits or bank guarantees equivalent to one month of estimated service cost in order to connect to electricity services. These deposits or guarantees can be offset against past due accounts for this group of customers. Government past due accounts vary depending on the budget approval processes of each government entity. These accounts tend to be paid after the initial due date, usually due to procedural complications within the Panamanian Government's account payable process. We collect interest during these payment delays. However, once these budgets are approved and the process is completed, we are generally able to collect all past due government receivables. In 2020, approximately [13.0] % of our net energy sales were to public sector customers. Such customers represented [11.6] %, or US\$[11.2] million, of our accounts receivable. As of March 31, 2021, approximately [12.9] % of our net energy sales were to government customers, and such customers represented [13.2] %, or US\$[12.0] million, of our accounts receivable.

The 1997 Electricity Law permits electricity distribution companies to terminate service to any customer whose bill is not paid within 60 days after invoicing. Our policy is to actively contact commercial, institutional, and industrial clients whose bills are past due. If no satisfactory arrangement can be made, service is suspended until payment or satisfactory arrangements are obtained. We routinely order cut-offs for our smaller clients after they have been given a termination notice in a subsequent invoice, a letter of notification, a phone call, or any other means of notification available to us to inform them of their pending termination of service.

The majority of cut-offs are reconnected after the customer pays the past due bill or signs a payment agreement. The 1997 Electricity Law permits electricity distribution companies to charge interest on outstanding amounts starting 30 days after invoicing. We currently charge a regulated interest rate based upon the average rate available in local banks. We restore service upon payment of the amount and interest

expenses due, with a reconnection charge being added to the next invoice. Regular monitoring of accounts receivable and daily service cuts are used to limit the risk of continuing service to non-paying clients.

Foreign currency risk

Our financial statements are expressed in U.S. dollars. Our revenues and borrowings and other obligations are denominated in U.S. dollars. We do not face any foreign currency risk due to the adoption of the U.S. dollar as legal tender in and the functional currency of Panama and the use by us of the U.S. dollar in all of our operations and transactions. We do not use foreign currency swaps to hedge against foreign currency risks.

Inflation risk

Inflation in Panama is measured by the CPI, which is computed by the National Bureau of Statistics and Census (*Dirección General de Estadísticas y Censos*) a specialized unit within the Comptroller General office, using a standard basket of goods and services. The basket uses the December 2013 price level as the basis for determining the CPI and is affected by the prices of food staples (fruits and vegetables, basic grains such as corn, rice, and beans, among others), which comprise [31.8]% of the total weight of the basket.

The following table sets forth the rate of inflation in Panama as measured by the CPI for the periods presented.

Panamanian inflation, 2018 – 2020

	2018	2019	2020
Inflation	0.8%	0.2%	-1.6%

Source: Comptroller General Office (Contraloría General de la República de Panamá)

We believe that these levels of inflation do not materially affect our results of operations or financial position.

Section 9

Business description

Business description

Elektra Noreste, S.A. (“Elektra Noreste” “ENSA” the “Company” or the “Issuer”) is a corporation (*sociedad anónima*) organized under the laws of the Republic of Panama (“Panama”), through the public deed number 143 of January 19, 1998 of the Second Notary Public of the Circuit of Panama, domiciled in the Republic of Panama, registered in jacket 340439, roll 57983, image 56 of the Mercantile Section of the Public Register, since January 22, 1998.

Elektra Noreste, S.A.
Santa Maria, Business District
ENSA Building
Plaza Panama 0833-0202
Panama City, Republic of Panama
Telephone: 507-340-4608
Email: ebarrientos@ensa.com.pa

Overview

Elektra Noreste, S.A. (“ENSA” the “Issuer” or the “Company”) is one of the largest electricity distribution companies in Panama in terms of electricity volume distributed, number of customers and area served. The Company holds an exclusive concession under the Concession Contract to operate the electricity distribution network in the northern and eastern part of Panama, including the eastern part of Panama City, the port city of Colón, and the Gulf of Panama. As of [March 31, 2021], ENSA’s operations covered a territory of approximately [29,200] square kilometers that included approximately [1.8 million] inhabitants, or [41]% of Panama’s total population including three of Panama’s main economic centers. As of [March 31, 2021], ENSA had a market share of approximately [41]% of the customers and approximately 43% of total energy sales in Panama.

In 2020, ENSA had total energy sales of [3,471] GWh to an average of [478,728] customers. Of the Company’s 2020 customers approximately [91.7]% were residential customers, [7.4]% were commercial and industrial customers, and substantially all of the remaining were government customers. Of the total 2020 energy sales of ([3,471] GWh), approximately [41.9]% of our sales were to residential customers, approximately [45.1]% were to commercial and industrial customers, and approximately [13.0]% were to government customers. [For the three months ended March 31, 2021], ENSA had total energy sales of [882.6] GWh to an average of [491,283] customers, of which approximately [91.9]% were residential customers, [7.3]% were commercial and industrial customers, and substantially all of the remaining were government customers. Over the same period, approximately [41]% of ENSA’s [882.6]GWh of energy sales were to residential customers, approximately [46.1]% were to commercial and industrial customers, and approximately 12.9% were to government customers.

As of [March 31,2021], the Company’s electricity distribution network consisted of approximately [12,325] kilometers of distribution and transmission lines, [sixteen] key substations, approximately [33,743] transformers, and related equipment. ENSA’s [12,325] kilometers of distribution lines are composed of approximately [11,133] kilometers of overhead cable circuits and [1,192] kilometers of underground cable circuits. The Company’s service territory is relatively dense with [16] key substations and a load factor, which is the ratio of average load to peak load, is approximately [70]%, reflecting a good balance between residential load profile and the daytime air conditioning and lighting requirements of the commercial sector.

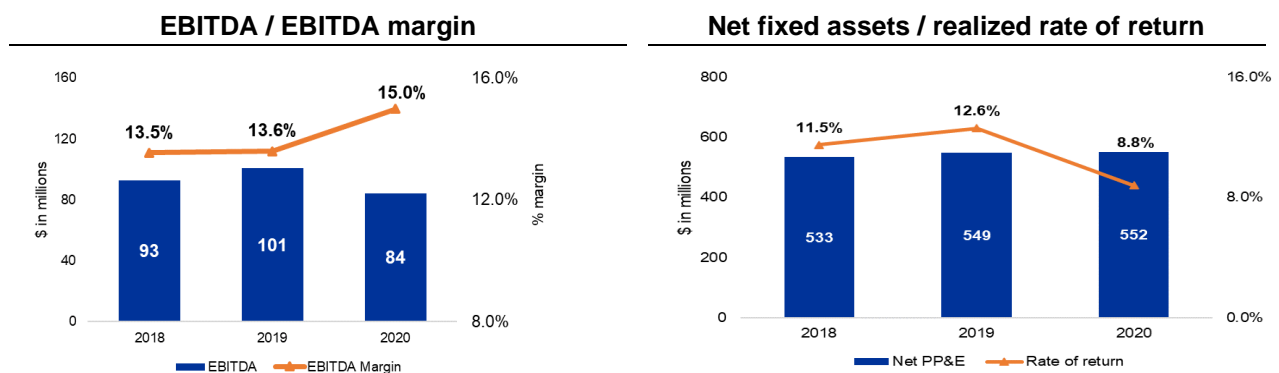
ENSA concession area



Source: Company information

For the [three months ended March 31, 2021], ENSA had a peak demand of [504 MW], revenue of \$[125] million, EBITDA of \$[123] million and net fixed assets of \$[554] million. For the [last twelve months], ENSA had revenue of \$[527] million and EBITDA of \$[81] million.

The following diagrams highlight the development of the Company's EBITDA and rate of return over the past three fiscal years:



Note: Realized rate of return defined as EBIT divided by net PP&E.
Source: Company information

ENSA has achieved significant operational improvements and productivity gains since its privatization in 1998 through the implementation of improved industry best practices and capital investments of over \$[825] million in its facilities and systems, \$[533] million of which was made from January 2012 through December 2020]. These investments were mainly concentrated in modernizing and optimizing ENSA's distribution network and improving the information technology and billing and collection systems. ENSA's capital expenditures were \$[64] million, \$[49] million, and \$[41] million for 2018, 2019, and 2020, respectively.

Business strategy

ENSA's business consists of the distribution of electricity in Panama to regulated and unregulated customers within its concession area. The Company seeks to maintain strong cash flow generation and profitability by ensuring highly efficient operations, increasing service quality, and improving customer satisfaction. Key elements of the Company's business strategy include:

- Providing customers with affordable, high quality service

- Cost effectively operating and maintaining its distribution network
- Training and developing of its employees
- Strategic and precise capital expenditures
- Maintaining current low levels of electricity losses
- Insulating customers from fluctuations in the cost of electricity through an actively managed power purchase program

Competitive strengths

Attractive service area and strong market position

ENSA is an electric utility company with a customer base of more than [451,333] residential accounts, [35,776] commercial accounts, and [137] industrial accounts as of [March,31], 2021. The Company also provides service to a number of government accounts, including Panama's water treatment plant, Tocumen International Airport, and most recently, Panama's Metro.

The Company holds an exclusive concession to operate the electricity distribution network in some of the most densely populated and economically active regions in Panama, including a significant portion of Panama City, the Canal Area, and the port city of Colón; three of Panama's main economic centers. As of [March,31], 2021, the Company's operations covered a territory of approximately [29,200] square kilometers that included close to [41]% of Panama's population and represented approximately [43]% of all energy sales in Panama.

Established and transparent regulatory regime with incentives for efficiency gains

The 1997 Electricity Law created a market-oriented framework for the country's electricity distributors, which allows ENSA to retain the financial benefits derived from efficiency gains during each four-year tariff period. The VAD portion of the tariffs relating to ENSA's permitted rate of return is subject to maximum amounts set every four years by ASEP in consultation with ENSA and based on future operating and capital expenditures as estimated by ASEP. Under the 1997 Electricity Law, ENSA is able to pass through to its customers the cost of electricity and capacity it purchases from electricity generators.

Exclusive service provider with predictable cash flows

ENSA has exclusive rights to provide power distribution services in its concession area. The Panamanian regulatory environment for electric utilities is established and transparent with incentives for efficiency gains. ENSA functions with a cost-based operating structure approved by ASEP. The tariffs charged by ENSA to its customers have two components: the energy cost component and the maximum distribution tariff component. This structure allows ENSA to achieve a minimum return based on its net fixed assets and to pass through energy purchase costs to its customers. The structure also allows ENSA to retain the benefit from operating and capital efficiencies, which provides incentives to earn higher realized returns.

ENSA has significantly improved its realized rate of return (defined as EBIT divided by net fixed assets) to [12.6]% in [2019] from 11.5% in [2018]. Due to the drop in demand driven partly by the Covid-19 pandemic, this ratio was impacted and was 8.8% for 2020. Additionally, the Company's EBITDA grew [8.7]% from \$[93] million in [2018] to \$[101.0] million in [2019] mainly as a result of an increase on energy and distribution costs. Due to a drop in demand driven partly by the Covid-19 pandemic, the Company's EBITDA decreased by 16.5% to \$84 million in 2020. ENSA's success in optimizing operational efficiencies can be observed in the difference between its realized rate of return and the regulatory rate of return, which is set at [8.94]% for the period of [July, 2018 through June, 2022].

Strong, knowledgeable management team with controlling shareholder support

ENSA's management team has extensive experience in electricity distribution, the wholesale energy market, electricity regulation and business sector in Panama. Additionally, the key managers at ENSA have spent an average of [9 to 14] years at the Company itself. The management team maintains regular and open communication with the Company's controlling shareholder, EPM to discuss official updates and coordinate any needed response. This exchange of information is structured to support ENSA's managers in their administration of the Company by leveraging EPM's extensive experience in the power sector.

Stable economic environment with USD functional currency

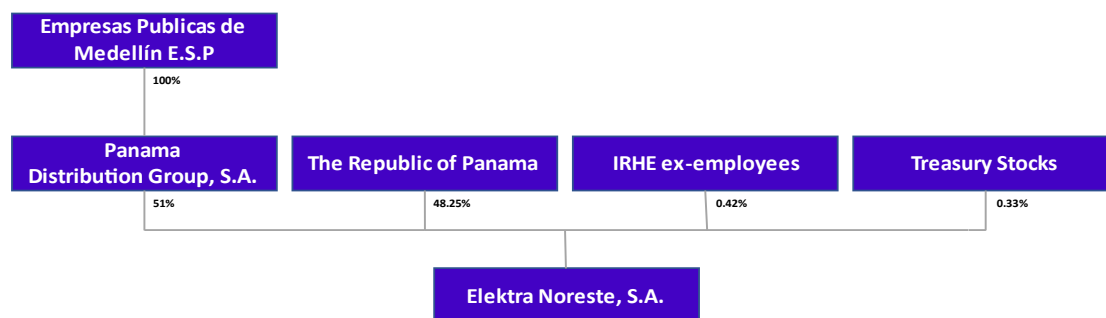
The Republic of Panama is rated Baa2/BBB/BBB- by Moody's, S&P, and Fitch, respectively. The country has experienced a GDP average increase of [4.3]% from 2015 to 2019 before the Covid-19 pandemic. Since 1904, Panama has used the U.S. dollar as legal tender and its sole paper currency, using the Balboa only as coinage and as a unit of account with an exchange rate set at parity with the U.S. dollar. Because ENSA receives revenues in U.S. dollars, investors are not exposed to risks associated with local currency fluctuations negatively impacting the Company's ability to service its indebtedness.

History and background

In connection with the process of privatizing the Panamanian electricity sector, ENSA was incorporated on January 22, 1998, and through a Sale and Purchase Agreement (Contrato de Compraventa de Acciones) dated October 30, 1998, 51.00% of the Company's common stock was sold to the Panama Distribution Group, S.A., or PDG 48.25% retained by the Panamanian Government and the remaining 0.75% retained between Treasury Stock and IRHE Ex-employee Stock Purchases.

The following organizational chart outlines the current equity ownership of ENSA:

ENSA organizational chart^(a)



(a) The Republic of Panama is the owner of the shares (48.25%), not the Panamanian Government.
Source: Company information

EPM, rated Baa3/BBB- by Moody's and Fitch, respectively, owns 51% of ENSA via its 100% ownership of PDG and in turn controls the Company.

ENSA's business

General

ENSA's business consists of the distribution of electricity in Panama to regulated and unregulated customers within its concession area. Regulated customers purchase their electricity through ENSA's distribution network and pay a regulated tariff to the Company. Unregulated customers purchase their electricity directly through electricity generators and pay only a regulated distribution charge to ENSA. The electricity that ENSA distributes is generated by unrelated third party electricity generation companies and transmitted to ENSA by ETESA, a government owned transmission Company. ENSA's electricity distribution network serves Panamanian industrial, commercial, and residential customers in its concession area.

ENSA is one of the largest distributors of electricity in Panama in terms of electricity volume distributed, number of customers, and area served. In 2020, the Company distributed 3,470.9] GWh of electricity to its customers, representing approximately [43]% of the total electricity distributed in Panama during the year. As of [March 31, 2021], ENSA provided electricity distribution services to approximately [41]% of the total electricity distribution customers in Panama. As of December 31, 2020, ENSA distributed electricity to approximately [487,283] Panamanian customers consisting of regulated and large users and, during [the first three months of 2021], ENSA distributed electricity to approximately [491,283] customers. ENSA's service area covers [29,200] square kilometers, comprising [39]% of the geographic area of Panama.

ENSA's distribution network consists of network control centers, poles, distribution cables (overhead and underground), distribution substations and switching equipment, distribution transformers, meters, and interconnections with the ETESA transmission network. As of March 31, 2021, the distribution network included facilities comprising [12,325] kilometers of distribution lines, [16] key substations and [2,027] MVA of transforming capacity.

Operational information

	Three months ended March 31,	Year Ended December 31,		
	2021	2020	2019	2018
Energy purchases (GWh) ^(a)	828.3	3,333.5	3,702.9	3,775.0
Energy sales (GWh) ^{(a)(b)}	882.6	3,470.9	3,760.4	3,650.0
Employees ^(a)	570	573	544	566
Average number of customers ^(c)	491,283	478,728	465,907	454,980
Customers at end of period	492,397	487,260	470,576	459,039
Customers / Employees	862	835	856	804
Sales (MWh) / Employees ^(a)	1,548	6,057	6,913	6,449
Energy losses (%) ^(c)	12.8%	12.6%	11.5%	11.4%

(a) Represents the number as of the date indicated.

(b) Energy Sales and Customer include Wheeling.

(c) Represents the average for the period ended as of the date indicated.

Source: Company information

Overview of ENSA's Concession Contract

ENSA's concession area lies within an area of approximately [29,200] square kilometers that covers approximately [39]% of Panama's territory and includes as of [March 31, 2021], approximately [1.8] million inhabitants, or [41]% of its total population. Approximately [60]% of the population of Panama City lives within the concession area. The following map illustrates the location of the concession area within Panama.

ENSA concession area



Source: Company filings

ENSA holds a concession under the Concession Contract and has exclusive rights to operate the electricity distribution network in the northern and eastern part of Panama. The area includes the eastern side of Panama City (including El Dorado, Santa María, Río Abajo, Parque Lefevre, Panamá Viejo, Chanis, Costa del Este, Tocumen, Chepo, and parts of Betania), the province of Colón, and the isolated distribution systems serving Darién, San Blas, and the Gulf of Panama (including the resort islands of Contadora and Taboga). With the exception of certain sections along the border of Empresa de Distribución Eléctrica Metro Oeste, S.A.'s concession area and the Company's concession area in Panama City and the Panama Canal area, the concession zone extends up to 500 meters from the existing distribution network and any new lines under construction. Apart from the Panama Canal Authority, only ENSA has the right to build or operate electricity distribution lines within the concession area. However, the Concession Contract does authorize Metro Oeste (Naturgy) to use certain high-tension lines serving its concession zone, which run through ENSA's area. The Panama Canal Authority only distributes electricity to canal operations and does not distribute to any other customers.

For commercial purposes, ENSA's concession area is divided into 12 districts. Details with respect to the number of customers and energy sales for the [three months ended March 31, 2021] and the year ended December 31, 2020 are set forth below:

Customers and sales per district

District	Three Months Ended March 31, 2021				Year Ended December 31, 2020			
	Total Customers		Unit Sales		Total Customers		Unit Sales	
	Average	%	Average	%	Average	%	MWh	%
Panamá	287,968	59%	431,778	62%	285,321	59%	1,747,931	62%
San Miguelito	94,582	19%	117,501	17%	93,713	19%	477,098	17%
Colón	72,869	15%	101,367	14%	71,638	15%	410,061	14%
Chepo	15,076	3%	14,022	2%	14,867	3%	57,923	2%
Portobelo	3,003	1%	3,583	1%	2,987	1%	12,847	0%
Chagres	1,597	0%	852	0%	1,573	0%	3,169	0%
Santa Isabel	1,126	0%	752	0%	1,130	0%	3,636	0%
Donoso	870	0%	399	0%	841	0%	1,515	0%
Sub-Total	477,091	97%	670,253	95%	472,070	97%	2,714,180	95%
Isolated Systems ^(a)	15,014	3%	11,131	2%	14,926	3%	42,860	2%
Public Lighting^(b)			19,562	3%			72,665	3%
Total	492,105	100%	700,947	100%	486,996	100%	2,829,705	100%

Note: Does not include Wheeling customers.

(a) Isolated systems service those customers who are not connected to the National Interconnected System for the transmission and distribution of electricity. The isolated systems include data for Taboga, Balboa, Pinogana, Chepigana and San Blas. All are districts in the concession area except for San Blas.

(b) Public lighting represents the provision of electricity to the public lighting within the concession area.

Source: Company information

Key Concession Contract terms

Concession Contract. The Concession Contracts No. 71-13 de ENSA, entered into on September 12, 2013 (the “Concession Contract”), constitutes the main and essential permit or authorization by which ENSA is authorized to carry out the business of distribution and commercialization of electrical energy under the control of the holder of the Majority Share Block (as defined below).

The provision of the services covered by the Concession Contract includes the activities of transport of energy through distribution networks, delivery of energy to end customers, and marketing to customers, as well as installing, owning, managing, and operating at own risk and expense, the networks that are necessary for the provision of electric power distribution and commercialization services in accordance with current regulations within a designated concession zone which limits are established pursuant to Clause 3.3 of Annex A of the Concession Contract. The designated concession zone consists of the 1KM radius around any and all existing electrical lines in the designated geographic concession zone (the “Concession Zone”).

Parties to the Concession Contract. The parties to the Concession Contract are ENSA, as concessionaire, PANAMA DISTRIBUTION GROUP, S.A., (hereinafter, “PDG”), as owner of the 51% of ENSA’s share (the “Majority Share Block”), and the National Public Services Authority (*Autoridad Nacional de los Servicios Públicos*, hereinafter, “ASEP”) that grants the concession on behalf of the Republic of Panama.

Term. The Concession Contract, as established by the Law 6 of 1997 (the “Electricity Law”), have a validity of fifteen (15) years, from October 22, 2013 to October 21, 2028.

PDG. The owner of the Majority Share Block of the concession company may participate in the competitive tender process (*acto público de licitación*) for the sale of the Majority Share Block (the “Competitive Tender Process”), except when the Competitive Tender Process for the sale of the shares is carried out because of the administrative termination due breach of the Concession Contract. PDG, as owner of the Majority Share Block will retain ownership of the shares if its offer is greater than or equal to the highest price offered by other participants.

In the event of an offer greater than that presented by the owner of the majority block of shares, then ASEP will deliver to the owner of the majority block the total amount offered and ownership of the shares will be transferred to the offeror who paid the highest price.

What is stated in Concession Contract with regards to expiration, is based on the article 47 of Electricity Law. Particularly, both the Electricity Law and the Concession Contract expressly establish the right of the owner of the majority block of shares to participate in the competitive process that ASEP will carry out, for the sale of its majority block of shares as concessionaire. To win in this competitive process and maintain the majority block of shares, it is required that the price offered by the owner of the majority block of shares is equal to or greater than the highest price offered by other participants.

After the Majority Share Block has been awarded to the winner of the Competitive Tender Process, a new concession, with a duration of fifteen (15) years, will be granted (not a renewal or extension of the existing concession).

General Obligations of ENSA under the Concession Contract. In accordance with the Concession Contract, ENSA must comply, generally, with the obligations contained in the Electricity Law and its regulations, including the following:

1. Continue to render the public services to the existing clients and large clients within the Concession Zone, which upon the entering into force and effect of the Concession Contract where related to such company.
 2. Verify that the electricity supply that its clients and large clients connected to ENSA comply with the current quality provisions and with the management indexes.
-

3. Install, operate and maintain in the premises and/or equipment's in such a manner that these are always in compliance with the current safety provisions. These shall be used as references for matters related to security: (i) the current national provisions that regulate the matter; and (ii) the last edition of the Electric Security Code of the United States of America (ANSI C2-National Electric Safety Code – NESC).
 4. Prepare the information and digitalize on its geographic information system, all the existing network as of July 1, 2014, and from there on it shall maintain updated the georeference of all its premises.
 5. Divulge to its clients the Regulations of Distribution and Commercialization, the Manual of Terms and Conditions for the Rendering of the Service and Tariff Schedule.
 6. Give publicity, promote and foment for itself and for its clients, the rational use of electric energy in accordance with the current sectorial law.
 7. Abstaining from abandoning, totally or partially, the rendering of the public service or the premises destined or affected for its rendering, without prior authorization from ASEP.
 8. Maintaining the principle of equality in the treatment in the same conditions to all clients, without discriminations or preferences, except those that may have grounds on the category of clients or differences that are determined by ASEP.
 9. Abstaining from carrying out acts that imply unfair competition, abuse of a dominant position on the market and/or restrictive to the competition.
 10. Including and maintaining within ENSA's articles of incorporation the necessary stipulations that oblige the owner of the majority package (i) to maintain the indivisibility of the majority package during the concession's term, in accordance with the provisions of the Electricity Law, and (ii) to maintain the proportionality of the majority package when new shares of the concessionaire are issued.
 11. Put at ASEP's disposal all the documentation and information that it requires in a timely manner, to verify the compliance of the Concession Contract, the Electricity Law, its regulation and any other applicable norm.
 12. Comply with the regulations on maintaining the accounting and extra-accounting registries, in order for the technical, commercial, financial and personal information to be adequately exteriorized, in order for these to be auditable from an accounting and technical perspective and they represent the past, current and proposed state of the activities to which ENSA must adjust itself.
 13. Comply with all the laws and regulations that, for any concept, are applicable, among others, the environmental, those of electric and public safety, those of labour order and of social security.
 14. Use and acquire, in accordance to the industry's best practices, for every element of its system that modifies, expands or modernizes, equipment and infrastructure with the characteristics and necessary capacities for the provision of services object of the Concession Contract.
 15. Repair the defective luminaires in the stipulated time set by the current regulations.
 16. Shall implement purchase and supply policies that enable mechanisms for competition and seek cost efficiency.
 17. Hire insurance companies during the concession period, in accordance with the prudent practice of public service companies.
 18. Carry out the investments that may be needed for the implementation of intelligent and/or efficient networks (smart grids). ENSA shall present to the ASEP, in each tariff period, the smart network
-

investment plan for its approval and analysis of its belonging for its recognition in the tariff in accordance with the established methodology in the distribution and commercialization regulations.

19. Charge for other public services in accordance with the Electricity Law.
20. Secure the Concession Contract with the compliance guarantee required under the Concession Contract.
21. When a rationing alert or rationing of energy is declared by ASEP or extraordinary emergencies occur that affect the energy supply and that require the use of distributed generation plants, the ASEP will indicate ENSA that it shall put the distributed generation plants in disposition of the Republic of Panama or any who the Republic of Panama shall indicate the ASEP.
22. Maintain an updated inventory of the emergency plants that are installed by their clients and large clients connected to its distribution network. This list shall include information of the capacity of the plants, as well as the necessary information to know about its technical characteristics.
23. Carry out the obligatory investments approved by the ASEP in each tariff period.

Electric tariffs of ENSA as distribution company. ENSA, as a distribution company, is subject to the tariff regulation system in accordance with the following rules:

1. ASEP shall define periodically separate rate formulas for the distribution, sale to regulated customers and integrated operation services. In accordance with the costs study it prepares, ASEP may set maximum rate ceilings and minimum rate floors, to be adhered to by the companies; it may likewise define the methodologies to set the tariffs.
2. To set the tariffs, the distribution companies shall prepare and submit to the approval of ASEP the rate schedules for each service area and type of customer, which should be adjusted to the formulas, ceilings and methodologies established by ASEP.

The tariff system for the distribution service is composed by rules related to:

1. Procedures, methodologies, formulas, structures, options, values and in general all aspects determining the collection of rates subject to regulation.
2. The subsidy system that can be awarded so that lowest income individuals be able to pay the electric public service tariffs covering their basic needs. The regulation shall indicate the procedure for the application of the subsidies when they exist.

The tariff system shall be oriented in the following order of priority, by criteria of financial sufficiency, economic efficiency, equity, simplicity, and transparency.

The distribution companies shall be free to set energy supply prices when there is competition between providers, such as sale to unregulated consumers (large clients). Therefore, electricity sales to final customers (save large clients) shall be compensated without exception through regulated tariffs.

These tariffs shall cover the costs incurred by each distribution company to provide the service to each customer category in accordance with the characteristics intrinsic to their energy consumption as follows: the cost recognized for block purchase of energy, costs corresponding to access and usage services of the transmission and distribution network, the marketing costs, and the costs for the integrated operation services.

For the purposes of setting electricity distribution rates, the added value of distribution must be established. Distribution added value includes the following costs that an efficient distribution company would have to provide distribution services in its concession area: administration, operation and maintenance of the distribution system, excluding metering, billing and customer service costs; costs of standard losses in the distribution networks; the asset depreciation costs; and the cost corresponding to the opportunity that the

concessionaire should have to obtain a reasonable rate of return on its investments. To the effects of this calculation, financial costs of credits granted to the concessionaire shall not be considered.

The assumption of efficiency shall be based on the recent performance of similar real companies, either foreign or national.

ASEP shall define the rate of return it deems reasonable for the concessionaire, taking into consideration the concessionaire's efficiency, his service quality, his investment program for the period of effectiveness of rate formulas and any other factors that ASEP deems reasonable. However, the rate defined by ASEP may not differ by more than two points from the rate resulting from adding the average annual effective rate of interest for the twelve (12) months before the date in which the rate formula is set, of the thirty (30) year U.S. Treasury Bonds, plus a premium of eight (8) points as country risk for the electric distribution business.

The rate thus determined shall be applicable to net fixed assets in operations estimated by ASEP for the period of effectiveness of the rate formulas. This estimation shall be made starting with the value, at the original cost recorded in the distribution companies accounting books, at the beginning of the period, under the assumption of economic efficiency in the investments the concessionaire should make during the period.

Rate formulas shall be effective for four (4) years. During the period of effectiveness of each rate/tariff formulas, distribution companies may update the base rates approved by ASEP for the corresponding period applying the variations in the price index for the energy purchased in block and in the minimum salary index embedded in the formulas established by ASEP. Each time these companies update the tariffs/rates; they shall notify the new values to ASEP and publish them no less than sixty (60) days in advance of their application, at least twice in two nationwide distributed newspapers.

To set the tariffs to be applied by distribution companies, ASEP establishes the maximum permitted income of the distribution companies for the period of validity of each tariff formulas (four years).

The maximum permitted income is established considering the representative areas, the purchasing companies, the efficiency equations, the profitability rate, among other aspects.

Description of exclusivity to operate. ENSA is granted the right to provide at its own risk and expense, within the concession zone established by the Concession Contract, the public electricity distribution and commercialization services, on an exclusive basis, except with respect to direct sales to Large Clients (*Gran Clientes*) permitted under the Electricity Law. Other than special exemption for the operation and functioning of the Panama Canal Authority, ENSA is the only concessionaire that can build, operate, and exploit electricity distribution lines within the Concession Zone.

The term Large Clients is defined as any individual or legal entity with a minimum energy demand equal to or above a regulated threshold that has the right to purchase energy directly from any generator or opt to purchase energy from the distribution company at regulated tariffs approved by ASEP. Currently, to hold the category of Large Client, one must have a maximum monthly demand per site (or point of delivery) higher than 100kW and comply with some requirements established in the regulation to Large Clients.

Change of Control restrictions. The Concession Contract establishes in its 10th and 26th Clauses some restrictions applicable to the ownership of the Majority Share Block, owned by PDG.

Therefore, a sale by PDG of the Majority Share Block in ENSA is subject to several restrictions:

1. In the five (5) years following the Concession Contract's effective date, the Majority Share Block cannot be sold by PDG. However, since such term has elapsed (the Concession Contract entered into full force and effect in 2013), this restriction is no longer applicable.
2. A sale of the Majority Share Block is subject to prior approval from ASEP. In turn, ASEP's prior approval is conditioned on the fulfilment of a series of requirements, such as:

- a. The Majority Share Block must be sold as a whole, since it is indivisible pursuant to Article 35 of the Electricity Law and Clause 26 of the Concession Contract.
- b. The acquirer of the Majority Share Block must comply with the so-called "Specific Requirements", which are those identified in the Tender Requirements of the Competitive Bidding Act for the acquisition of the Majority Share Block, namely:
 - i. For the owner of the 51% block of ENSA's shares, a minimum of four hundred thousand (400,000) connections to end users and a minimum of four hundred million dollars (US\$400,000,000.00) of net worth.
- c. The distribution companies and their owners cannot directly or indirectly participate in the control of generation plants, when the equivalent aggregate capacity exceeds fifteen percent (15%) of the demand served in their concession area. Likewise, distribution companies cannot request new concessions, if by doing so they serve, directly or indirectly, through the shareholding control of other distribution companies or other means, more than fifty percent (50%) of the total number of customers in the national market in accordance with Article 83 of the Electricity Law and Clause 15 of the Concession Contract.

Once ASEP's prior authorization has been obtained, an addendum to the Concession Contract must be signed in which the new owner of the Majority Share Block acquires all the rights and obligations established in the Concession Contract for the owner of the Majority Share Block.

In addition, please note that the articles of incorporation of ENSA, as amended in 2013, based onto the requirement of the Tender Requirements of the Competitive Bidding Act for the acquisition of the Majority Share Block, established, in article thirteen, a tag along right in favour of the Republic of Panama.

Payment by ENSA to the Republic of Panama. ENSA is obliged, in accordance with the Concession Contract, to pay the ASEP the control, vigilance and inspection rate that is contemplated in the Electricity Law, which will not exceed the one per cent (1%) of the total billing of ENSA as electricity distributor. This regulation rate cannot be transferred to the users through the tariff.

On the other hand, ENSA is obliged to pay the Republic of Panama the income tax and other tributes that shall be applicable.

Restrictions on assignment, enforcement by lenders of ENSA. In accordance with the Concession Contract, ENSA cannot sell, give, constitute as mortgage, pledge, or other liens or right in favour of a third party concerning the concession.

Unilateral Termination by the Republic of Panama of the Concession Contract (Rescate Administrativo). The Concession Contract of ENSA may be terminated unilaterally by the Republic of Panama, through a Cabinet Council Resolution, in the event the Republic of Panama, for reasons of public interest, exercises its right to rescue the concession pursuant to clause 44 of the Concession Contract.

Compensation in the event of a unilateral termination by the Republic of Panama of the Concession Contract. In the event the Republic of Panama proceeds with the administrative rescue of the concession, the Republic of Panama shall pay compensation. The compensation will be paid by the Republic of Panama to concession company shareholders other than the Republic of Panama. This compensation will correspond to the fair market value of the shares that has been determined.

The shares' fair market value determination and their payment will be made as follows:

1. Each of the parties (ASEP and the owner of the majority block) will select an Investment Bank of recognized international prestige and with extensive experience in valuation of companies, to carry out the valuation of the concession company. Each Investment Bank selected by each party must carry out the valuation within thirty (30) calendar days, from the date on which the two Investment Banks are designated, as indicated above.

2. If the difference between the valuations of each Investment Bank is twenty percent (20%) or less (with respect to the highest of said valuations), the average of said valuations will be considered as the fair market value of the dealer shares. If the difference between the valuations is within a range of more than twenty percent (20%) (with respect to the highest of said valuations), then the two Investment Banks must, within the following fifteen (15) calendar days following the expiration of the valuation term, choose by mutual agreement a Third Investment Bank of recognized international prestige with proven experience in company valuation. In the event the Investment Banks do not agree on the designation of the Third Investment Bank, the election of the Third Investment Bank will be carried out by draw between two (2) Investment Banks, each of them proposed by each of the initial Investment Banks.
3. The Third Investment Bank shall carry out its own valuation of the concessionaire's shares within the period of thirty (30) days following its appointment. The fair market value will be equal to the average between that determined by the Third Investment Bank and the initial valuation which is closest to the determined by the Third Investment Bank.
4. The amount determined must be paid by the Republic of Panama to the concession company's shareholders other than the State, within forty-five (45) business days following the notification of agreement on the fair market value, provided the concessionaire has first paid the tax obligations and/or credits owed by the concessionaire to the Republic of Panama for any reason. The payment will be made directly to the shareholders of the concession company and they must transfer their shares to the State.
5. The shareholders of the distribution company may assign the corresponding compensation to any individual or entity once the payment agreement is duly executed.

Administrative Termination of the Concession Contract due to breach of the Concession Contract. Unlike the administrative rescue of the Concession Contract which results from a unilateral decision of the Republic of Panama (even in the absence of breach on the part of the concession company or shareholders other than the State), the administrative termination of the Concession Contract, on the other hand, results from a breach by the concession company or its shareholders of their obligations.

As grounds for termination of the Concession Contract by administrative termination, the following are indicated in accordance with clause 46 of the Concession Contract:

1. The declaration of insolvency, bankruptcy, dissolution, or suspension of payments of the concessionaire.
 2. Recurrence in the substantial breach of the regulations in force regarding the public electricity distribution service, or substantial breach, in ASEP's view, of the obligations derived from the Concession Contract.
 3. If in two (2) or more years, whether consecutive or alternate, the accumulated value of the penalties and fines applied to the concessionaire for non-compliance with regulations in force, exceeds five percent (5%) of total income from annual sales invoiced for the electrical service in the immediately preceding year.
 4. If the concessionaire or the owner of the majority block carries out malicious or fraudulent actions or omissions, which directly impede the competitive process of participation of the majority block, in the cases so established in the Concession Contract.
 5. If an Assembly of the concessionaire approves, without the intervention of the State, an amendment to the concessionaire's bylaws or an issue of shares that alters or allows altering the proportion of fifty-one percent (51%) of the total shares or voting rights of the shares.
 6. If the concessionaire does not renew the performance bond annually before expiration.
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In the event that ENSA incurs in any of the causes that motivates the administrative termination of the Concession Contract, the ASEP shall notify ENSA of the infringed cause, granting a term of thirty (30) calendar days to present its discharges. After this term, the ASEP can grant a term of a hundred and fifty calendar days, which can be extended up to sixty (60) calendar days by request of the Concessionaire, to amend the breach. If the breach is not amended in the term, the arbitration process shall begin, in compliance with the clause 52 of the Concession Contract.

Once the term stated has expired and the breach hasn't been amended, the State, through the ASEP, can take possession and exercise the right of usufruct over the property, network and equipment used by ENSA with the purpose of guaranteeing the continuity of the efficient and uninterrupted electricity distribution service, meanwhile the arbitration tribunal decides the administrative resolution due breach of the Concession Contract.

Compensation in case of an administrative resolution due breach of the Concession Contract. In the event of an administrative termination of the Concession Contract due breach, the Republic of Panama will pay the concession company's shareholders other than the Republic of Panama:

1. 80% of the fair market value, if the administrative termination of the Concession Contract occurred during the first third of the concession term.
2. 85% of the fair market value, if the administrative termination of the Concession Contract occurred during the second third of the concession term.
3. 90% of the fair market value, if the administrative termination of the Concession Contract occurred during the second third of the concession term.

The fair market value will be determined in accordance with clause 48 of the Concession Contract.

The payment will be made directly to the shareholders of the concession company and they must transfer their shares to the Republic of Panama.

Dispute Resolution and Applicable Law. The Concession Contract is governed by the laws of the Republic of Panama. Disputes related to the administrative termination of the Concession Contract will be decided by arbitration pursuant to the rules and proceedings of the Center for Conciliation and Arbitration of the Panamanian Chamber of Commerce, Industry and Agricultura (*Centro de Conciliación y Arbitraje de la Cámara de Comercio, Industrias y Agricultura de Panamá*). Other disputes will be the subject to the jurisdiction of the Third Chamber of the Supreme Court of Justice.

Minimum requirements of ENSA to operate, e.g., any financial covenants, minimum capital, minimum rating etc. The Concession Contract does not expressly provide for any financial maintenance or minimum rating requirements.

Restrictions on dividends and distributions to shareholders. The Concession Contract does not contain any express restriction on the payment of dividends or on the distributions to shareholders. These matters aren't regulated in the Concession Contract of ENSA, for which their determination corresponds to ENSA's corporate bodies. The distribution of dividends to shareholders is a decision that corresponds to ENSA's Board of Directors, which PDG holds a majority.

Limitations on the sale of assets. These matters aren't regulated in the Concession Contract of ENSA, for which their determination corresponds to ENSA's corporate bodies. However, as mentioned previously, according to Concession Contract, ENSA cannot sell, give, constitute as mortgage, pledge, or other liens or right in favour of a third party concerning the concession.

Limitations on indebtedness. These matters aren't regulated in the Concession Contract of ENSA, for which their determination corresponds to ENSA's corporate bodies.

Distribution network

Distribution Cables. ENSA's distribution network comprises approximately [12,325] kilometers of high, medium, and low tension lines distributed in overhead and underground lines with [2,027] MVA of transforming capacity, of which [1,370] MVA is provided by three phase transformers (pole and pad mounted) and [657] MVA by pole and pad mounted single phase transformers. The standard primary voltage is 13.2 kV, especially in the more densely populated areas of the concession zone. In the northern part of the concession area, in particular the reverted areas around Colón, the distribution voltages are 12 kV, 4.16 kV, and 2.4 kV. The isolated systems in which ENSA distributes electricity also have a limited amount of three phase and single phase 34.5 kV (i.e., 19.92 kV) lines. The Company's electricity distribution cables are composed of copper, aluminium or steel cord aluminium conductors supported by poles (wood, steel, concrete and reinforced fiberglass). As of March 31, 2021, the distribution network, was segmented into approximately [1,421 kilometers] main feeders, which have installed [537] remotely controlled breakers and [2,315] manually operated switches or fuses. Breakers, switches and fuses are devices installed along the lines that allow further segmentation of the feeders in order to reconfigure the network and/or isolate faults; therefore, increasing network reliability by containing the scope of any service outage to the smallest possible number of clients.

In addition, ENSA's network includes [61] kilometers of serial 115 kV transmission lines, both single and double circuit, and 26 kilometers of underground transmission lines feeding the substations in Panama City. The 115 kV lines include a 15 kilometer link between ETESA's Panama II substation and the Cerro Viento substation which is used by generators to supply energy to customers outside of the concession area, for which the Company receives wheeling charge fees.

The table below provides a summary of the aggregate cable circuit length in kilometers of ENSA's distribution cables by nature of line as of October 31, 1998 and December 31, 2021:

Cable circuit length (km)				
Line	October 31, 1998		March 31, 2021	
	Overhead	Underground	Overhead	Underground
115kV	23.4	0.0	61.0	26.0
44 kV	12.9	0.0	0.0	9.0
34.5/19.9kV	94.8	0.0	443.0	6.0
13.8kV	1,345.4	18.0	3,749.0	475.0
<13.8kV-2.4kV	878.9	39.6	58.0	84.0
Up to 600V	1,945.8	0.0	6,822.0	592.0
Total	4,301.2	57.6	11,133.0	1,192.0

Source: Company information

Distribution Substations. Substations are facilities that step down electricity voltage between transmission and distribution lines or among distribution lines. At distribution substations, various circuits of an electricity distribution network are grouped together by high voltage switching equipment. In the event of a network fault, this switching equipment automatically disconnects transmission or distribution equipment in order to isolate and minimize damage to network assets. The high voltage switchgear found at substations also permits the division of an electricity distribution network into smaller sections, enabling maintenance to be carried out or supply to be restored locally following a fault. As of March 31, 2021, ENSA's distribution network included a total of sixteen key substations.

ENSA's electricity load is served from ETESA's transmission system with three 115 kV substations and one 230 KV substations. In Panama City, the Panama and Panama II substations serve the distribution substations Cerro Viento, Llano Bonito, Costa del Este, Santa María, Monte Oscuro, Tocumen, Chilibre, Tinajitas and Calzada Larga. On the northern side of the concession area, the distribution substations at Bahía Las Minas, France Field, Colón, María Chiquita and Mount Hope are served from the Bahía Las Minas generator substations No. 1 and No. 2, the connecting point for the larger thermal generating capacity located in the Atlantic Port City of Colón. ENSA's Geehan substation is served from the Pedregal Power generating facility, and the 24 of December substation which will be served at 230 kV directly by ETESA.

The table below indicates the level of energy off-takes by the [16] key distribution substations for [the three months ended March 31, 2021] and year ended December 31, 2020.

Energy off-takes per substation

Substation	Three months Ended March 31, 2021		Year Ended December 31, 2020	
	Energy off-take (GWh) ^(a)	% of total Off-take	Energy off-take (GWh) ^(a)	% of Total off-take
Tocumen	129	13%	523	13%
Cerro Viento	117	12%	454	12%
Tinajitas	97	10%	420	11%
Santa Maria	103	10%	413	11%
Monte Oscuro	99	10%	397	10%
France Field	96	10%	376	10%
Chilibre	80	8%	327	8%
24 de Diciembre	77	8%	293	7%
Bahia La Minas	43	4%	167	4%
Llano Bonito	37	4%	131	3%
Geehan	32	3%	126	3%
Costa del Este	33	3%	124	3%
Calzada Larga	34	3%	104	3%
Monte Esperanza	9	1%	36	1%
Gatun	5	0%	18	0%
Bayano	5	0%	8	0%
Total	991	100%	3,916	100%

(a) Energy off-take amounts do not include transmission losses, isolated systems-service B.
Source: Company information

Interconnections with ETESA's Transmission Network. The transmission network operated by ETESA interconnects to the distribution network at a total of four interconnection points operating at various voltages. ETESA's network delivers power from generators outside of ENSA's concession zone to the Company.

Distribution Transformers. A transformer is a device used to change electrical voltage level from one to another to suit customers' requested supply voltage. As of December 31, 2020, ENSA's distribution network included approximately 33,743 transformers, primarily ranging from 1 kVA to 2,500 kVA with a total of 12,324.62 MVA.

Meters. ENSA owns and maintains all the meters used to measure the amount of electricity consumed by its consumers. These meters are located on customer premises and are read manually or remotely by employees or contractors. As of March 31, 2021, the Company had more than 492,105 meters in place through its distribution networks. Most meters within the ENSA network are electromechanical and some are digital. For larger customers, meters take measurements of capacity (kW), reactive energy (kVAR), and power consumption (kWh).

Public Lighting. In addition to servicing the regulated and unregulated customers, ENSA is responsible for installing and operating all public lighting within its concession area. From January 2003 through [March 31, 2021], ENSA has installed 57,117 new units and replaced overage per year 7,337 streetlights for a total of 123,243 units. ENSA will continue to expand and upgrade public lighting on a gradual basis to meet and exceed the illumination standards established by ASEP's public lighting regulations. As of [March 31, 2021], the Company was in compliance with ASEP's requirements with respect to the number of new streetlights, which had to be installed by that date.

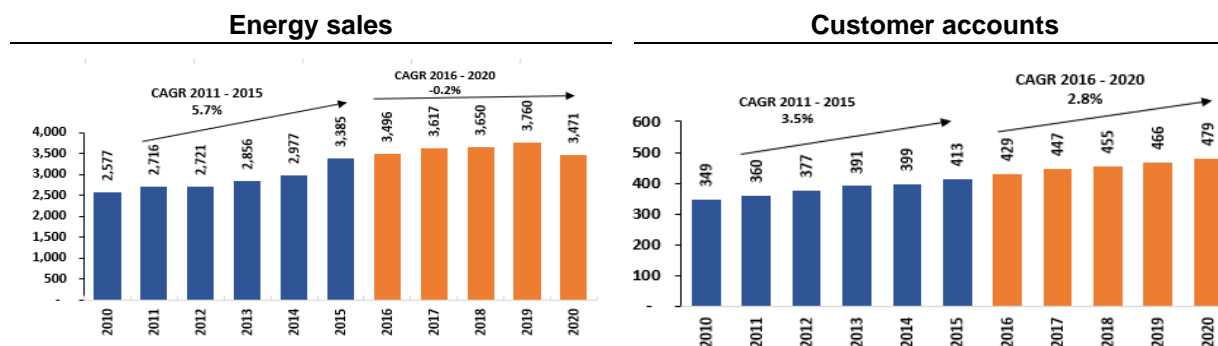
Customers

For the year ended December 31, 2020, ENSA's energy sales were 3,470.9 GWh, 7.7% lower than those of the previous year and equivalent to approximately 43% of the total energy sales in Panama. During 2020, ENSA had an average of 478,728 customers consisting of regulated customers and large users, an

2.6% increase over the previous year and representing approximately [41]% of the Panamanian market. During the first three months of 2021, ENSA had an average number of [491,283] customers.

Between 2015 and 2020, ENSA grew its customer base at an average annual rate of 3.0%, a result of customer growth from an increase of customers in Panama and a Company focus on converting illegal connections into legal metered customers. Energy sales grew at an annual rate of 4.3% during the [2015] and [2019 period], but recorded a decrease in 2020 of 7.7% due to the COVID-19 pandemic.

The following charts provide an overview of ENSA's historical energy sales and customer base since 2010:



Source: Company information

Regulated Customer Categories. ENSA's regulated customer base is divided into four categories: residential, commercial (i.e., retailers), industrial (i.e., plants and manufacturing facilities), and government. Government agencies, such as municipalities and the Panamanian Government, as well as public water plants and public lighting, are included in the "government" category. As of [March 31, 2021], regulated customers represented 79.4% of ENSA's total electricity sales and non-regulated customers accounted for 20.6%.

The following table sets forth the average number of ENSA's regulated consumers by category for the periods indicated.

Average Number of Regulated Consumers

Customer Type	Three Months Ended March 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	2018-2020 Average Annual Growth (%)
Residential.....	451,333	438,448	426,080	416,108	2.36%
Commercial.....	35,776	36,133	35,769	35,146	1.53%
Industrial.....	137	140	157	174	-9.68%
Government.....	3,745	3,743	3,758	3,498	3.15%
Total.....	490,991	478,464	465,764	454,926	2.30%

Source: Company information

The following table sets forth the aggregate electricity sales to ENSA's regulated customers by category for the periods indicated.

Electricity sales (GWh) to regulated customers per category

Customer Type	Three Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	2018- 2020 Average Annual Growth (%)
Residential.....	361.887	1453.06	1330.528	1264.047	4.99%
Commercial.....	196.295	810.43	1220.049	1387.01	-17.36%
Industrial.....	9.776	41.04	83.739	139.494	-41.76%
Government.....	113.424	452.52	506.103	439.058	1.38%
Public lighting.....	19.562	72.67	69.086	66.05	3.35%
Total.....	700.95	2829.71	3209.51	3295.66	-5.93%

Source: Company information

Some of ENSA's customers are serviced by the isolated systems, which are those distribution systems that are not connected to the National Interconnected System for the transmission and distribution of electricity. As of March 31, 2021, ENSA served over [15,041] customers in the isolated systems with a total consumption of [11,131] MWh, equivalent to [1.6]% of total consumption within the concession area.

ENSA's investment into its distribution network allows the Company to ensure that its substations and transmission lines function in line with the most current technological standards. Technological advancements in the distribution of power result in more consistent and cost efficient delivery of electricity to consumers.

Large (and Potentially Unregulated) Customers. ENSA also sells electricity to large users, which are those customers with peak demand higher than 100 kW. Large users can choose whether to be a regulated or unregulated customer. Large users are not obligated to purchase energy from the distribution companies and become unregulated customers by purchasing energy directly from generators. ENSA is obligated to provide electricity generators with access to its network to permit delivery to these customers, provided the generators and unregulated customers pay regulated distribution charges known as wheeling charges to ENSA. At year-end 2020, [286] of the Company's customers qualified as large users, which represented approximately [18.5]% of the total consumption in 2020, and, as of [March 31, 2021], a total of 300 of ENSA's customers qualified as large users, which represented approximately [20.6]% of total consumption in [the first quarter of 2021]. The following table sets forth the number of large users and the aggregate electricity sold by ENSA to these customers for the periods indicated. Large customers from ENSA's concession area that elect to purchase power from generators or another utility directly are still required to use ENSA's distribution network and are also required to purchase and install transformers/transformation lines and metering equipment approved by the CND.

Electricity sales to large users

	Three Months Ended March 31,	Year Ended December 31,		
	2021	2020	2019	2018
Number of large users.....	292	264	143	54
Amount of electricity sold (in GWh)	180.5	641.2	550.9	354.3

Source: Company information

Others That Use ENSA's Distribution Network. In addition, ENSA is entitled to receive wheeling charge fees from generators or distributors using its distribution networks to deliver energy to unregulated customers purchasing directly from generators or the spot market. ENSA also receives rental income from the telephone Company Cable & Wireless (Panama) S.A. and from the cable TV company Cable Onda

S.A. for their use of its poles. Along with several smaller TV companies, Cable & Wireless and Cable Onda use ENSA's existing distribution network to carry their respective services to their respective customers. The Company also engage in contracts with other companies and smaller Internet providers that rent pole space from it.

Regulated distribution tariffs

Network access charges are designed to be set at a level that allow distributors to achieve sufficient revenues to cover the costs of their efficient investments, operating, maintenance (including metering, billing and customer service), administrative and commercial expenses, standard level of losses and a reasonable return on investment. Each of these costs and return on capital is determined by ASEP based on the expenses and returns of comparable companies. The permitted pre-tax rate of return, as determined by ASEP, must be within a 2% range above or below the average yield on the 30-year U.S. Treasury Bond in the year preceding the setting of the tariff plus an 8% risk premium. For the current tariff structure, which will remain in force until June 30, 2022 the pre-tax rate of return is set at 8.94%. This rate is applied to the distributors' net fixed assets in operation during the tariff period based on historic accounting values at the start of the tariff period plus the distributors' efficient investment requirements for the tariff period.

Under the current tariff structure, all distribution system users and all regulated customers pay a separate consumption-based charge within the tariff to cover the capital, energy and operational costs of public lighting. Retirees (men aged 62 or older and women aged 57 or older) receive a 25% discount on charges applied for the first 600 kWh of consumption. For any consumption above the 600 kWh threshold, retirees pay full charges.

Tariff options for customers include: (i) a simple kilowatt hour based tariff, restricted to residential and other customers with an electricity demand of 15 kW or less, (ii) a demand-based tariff; and (iii) a time-of-day based tariff. This last type is supplied to customers at any tension. As of [March 31, 2021], only 161 customers were supplied on a time-of-day tariff, including those who changed from a demand-based tariff to a time-of-day tariff during the last year. Customers are allowed to change their tariff option twice in a twelve month period without incurring a penalty. After the second change, the customer will pay a penalty in the amount of 50% of the connection fee.

The VAD tariff structure remains in full force and effect for a four-year period. Every six months during the tariff period, the capacity and energy cost-components of the tariff are adjusted to account for variances in actual and expected energy costs, and only 25% of the distribution and commercial charges are adjusted for inflation based on the Panamanian CPI for the prior two semesters. The generation and transmission components of the tariff are adjusted based on the actual energy purchased and the actual cost of transmission. Each of the customers agrees to purchase electricity from ENSA at one of several tariff rates offered.

Simple Tariff ("BTS"). The simple tariff is an energy per kW hour rate restricted to customers with low tension lines (600 V or less) and with a demand of 15 kW or below. As of [March 31, 2021], the simple tariff applied to 98.9% of ENSA's customers. Consumption of electricity by customers under the simple tariff accounted for 62% of the electricity ENSA sold to its customers during [the first three months of 2021].

Low Tension Maximum Demand Tariff (Tarifa de Baja Tensión con Demanda, or "BTD") and Low Tension Time of Use Tariff (Tarifa de Baja Tensión Horaria, or "BTH"). The low tension maximum demand tariff and low tension time of use tariff are available to ENSA's customers that are connected at a voltage level at or below 600 V and also have a predictable level of demand equal or higher than 15 kw. Residential customers will not be charged fees with on-demand charges unless they opt for one at their convenience. These tariffs include a capacity or demand component, an energy component and a fixed customer charge. The capacity and energy components include a generation, transmission and distribution component. The capacity charge is now based on the customer's actual capacity and consumption.

Medium Tension Maximum Demand Tariff ("MTD") and Medium Tension Time of Use Tariff ("MTH"). The medium tension maximum demand tariff and the medium tension time of use tariff are available to customers that take delivery of electricity at a voltage level higher than 600 V and lower than 115 kV. These

tariff charges have the same structure and operate in the same manner as the low tension maximum tariff and the low tension time of use tariff.

High Tension Maximum Demand Tariff (“ATD”) and High Tension Time of Use Tariff (“ATH”). The high tension maximum demand tariff and the high tension time of use tariff are available to customers that take delivery of electricity at a voltage level higher than 115 kV. These tariff charges have the same structure and operate in the same manner as the low and medium tension maximum tariff and the low and medium tension time of use tariff.

Wheeling Charges at Low, Medium and High Tension. For unregulated customers purchasing energy in the wholesale market directly from the generating companies or in the spot market, they must pay the distributor serving their location a capacity and energy charge, or a wheeling charge, for the distribution and commercial tariff component.

Public Lighting Charges. Charges for public lighting, including a return on capital, operating and maintenance expenses and energy consumption costs are built in to the customers’ regulated tariff.

The following table sets forth the average number of ENSA’s customers by applicable tariff for the periods indicated:

Customers by applicable tariff^(a)

	Three Months Ended March 31,	Year Ended December 31,		
	2021	2020	2019	2018
Low tension				
BTS – Residential	451,229	438,341	425,976	416,008
BTS – Other	34,223	34,350	33,797	33,007
BDT	5,124	5,343	5,453	5,291
BTH	90	89	87	84
Medium tension				
MTD	546	537	528	527
MTH	63	60	58	55
High tension				
ATD	4	4	6	6
ATH	4	4	2	2
Public lighting				
Total	451,283	478,728	465,907	454,980

Note: Includes Wheeling customers.

(a) Average number of customers per tariff over the defined time period.

Source: Company information

The following table sets forth the aggregate electricity sales to ENSA’s customers by applicable tariff for the periods indicated:

Sales (GWh) by applicable tariff

	Three Months Ended March 31,	Year Ended December 31,		
	2021	2020	2019	2018
Low tension				
BTS – Residential	360.142	1445.67	1322.91	1257.41
BTS – Other	74.422	290.39	364.65	365.22
BDT	129.377	522.35	710.05	737.82
BTH	1.506	5.09	8.59	9.75
Medium tension				
MTD	58.486	250.89	444.04	565.57
MTH	10.144	49.14	112.29	146.56
High tension				

	Three Months Ended March 31,	Year Ended December 31,		
	2021	2020	2019	2018
ATD	0.284	4.12	137.44	147.09
ATH	47.024	189.39	40.44	0.20
Public lighting.....	19.562	72.66	69.09	66.05
Total	700.95	2829.70	3209.50	3295.66

Source: Company information

The following table sets forth each of our applicable energy tariffs for the periods indicated:

Applicable energy tariffs (2018 – 2021)

		January 1, 2021 to March 31, 2021,	July 1, 2020 to December 31, 2020	January 1, 2020 to June 30, 2020	July 1, 2019 to December 31, 2019	January 1, 2019 to June 30, 2019	July 1, 2018 to December 31, 2018	January 1, 2018 to June 30, 2018
LOW TENSION TARIFFS								
Simple Tariff (BTS)								
Fixed charge for first 10 kWh.....	B/. Client / month	2.23	2.26	2.27	2.26	2.28	2.17	2.17
Energy charge for following kWh (Consumption of 0 - 300 kWh)	B/. kWh	0.14519	0.15903	0.17443	0.17894	0.19167	0.17199	0.15229
Energy charge for following kWh (Consumption of 301 - 750 kWh)	B/. kWh	0.16337	0.18193	0.20094	0.20772	0.22186	0.21001	0.18509
Energy charge for following kWh (Consumption of 751 and More kWh)	B/. kWh	0.18119	0.20441	0.22695	0.23594	0.25130	0.24304	0.21359
Maximum Demand Tariff (BTD)								
Fixed charge	B/. Client / month	4.80	4.87	4.88	4.87	4.91	4.69	4.68
Maximum Demand charge on Peak Period	B/. kWh	10.60	10.64	10.9	10.13	11.92	22.26	18.40
Maximum Demand charge off Peak Period	B/. kWh	5.77	5.81	5.82	5.81	5.83	1.90	1.90
Energy charge on Peak Period	B/. kW / month	0.12404	0.14157	0.15983	0.16613	0.17898	0.19437	0.17157
Energy charge off Peak Period	B/. kW / month	0.12404	0.14157	0.15983	0.16613	0.17943	0.18698	0.16530
Fixed charge	B/. Client / month	4.80	4.87	4.88	4.87	4.91	4.69	4.68
Maximum Demand charge on Peak Period	B/. kWh	10.60	10.64	10.9	10.13	11.92	22.26	18.40
Maximum Demand charge off Peak Period	B/. kWh	5.77	5.81	5.82	5.81	5.83	1.90	1.90
Energy charge on Peak Period	B/. kW / month	0.12404	0.14157	0.15983	0.16613	0.17898	0.19437	0.17157
Energy charge off Peak Period	B/. kW / month	0.12404	0.14157	0.15983	0.16613	0.17943	0.18698	0.16530
Fixed charge	B/. Client / month	4.80	4.87	4.88	4.87	4.91	4.69	4.68
Maximum Demand charge on Peak Period	B/. kWh	10.60	10.64	10.9	10.13	11.92	22.26	18.40
Maximum Demand charge off Peak Period	B/. kWh	5.77	5.81	5.82	5.81	5.83	1.90	1.90

		January 1, 2021 to March 31, 2021,	July 1, 2020 to December 31, 2020	January 1, 2020 to June 30, 2020	July 1, 2019 to December 31, 2019	January 1, 2019 to June 30, 2019	July 1, 2018 to December 31, 2018	January 1, 2018 to June 30, 2018
Energy charge on Peak Period	B/. kW / month	0.12404	0.14157	0.15983	0.16613	0.17898	0.19437	0.17157
Energy charge off Peak Period	B/. kW / month	0.12404	0.14157	0.15983	0.16613	0.17943	0.18698	0.16530
MEDIUM TENSION TARIFFS								
Maximum Demand Tariff (MTD)								
Fixed charge	B/. Client / month	8.61	8.73	8.75	8.73	8.80	8.39	8.38
Maximum Demand charge	B/. kWh B/. kW / month	12.72	12.78	13.00	12.24	14.10	12.93	9.83
Energy charge Time of Use Tariff (MTH)	B/. Client / month	0.11787	0.13496	0.15268	0.15860	0.17077	0.16537	0.1454
Fixed charge	B/. Client / month	8.61	8.73	8.75	8.73	8.80	8.39	8.38
Maximum demand Energy charge on Peak Period	B/. kWh	8.63	8.66	8.89	8.11	9.97	21.23	17.03
Maximum demand Energy charge off Peak Period	B/. kWh	4.65	4.68	4.69	4.68	4.70	1.80	1.80
Energy charge on Peak Period	B/. kW / month	0.10971	0.12686	0.14438	0.15131	0.16099	0.12995	0.11432
Energy charge off Peak Period	B/. kW / month	0.10971	0.12686	0.14438	0.15131	0.11434	0.11434	0.10093
HIGH TENSION TARIFFS								
Maximum Demand Tariff(ATD)								
Fixed charge	B/. Client / month	8.61	8.73	8.75	8.73	8.8	8.39	8.38
Maximum Demand charge	B/. kWh	10.48	10.45	10.64	9.75	12.47	17.80	11.99
Energy charge	B/. kWh	0.08588	0.10200	0.11806	0.12462	0.13346	0.12421	0.10801
Time of Use Tariff (ATH)								
Fixed charge	B/. Client / month	8.61	8.73	8.75	8.73	8.8	8.39	8.38
Maximum Demand charge on Peak Period	B/. kWh	9.99	9.94	10.13	9.23	11.25	18.38	13.74
Maximum Demand charge off Peak Period	B/. kWh	0.70	0.71	0.71	0.71	0.71	1.42	1.42
Energy charge on Peak Period	B/. kWh	0.0799	0.09631	0.11146	0.12256	0.12677	0.12358	0.10751
Energy charge off Peak Period	B/. kWh	0.0799	0.09631	0.11146	0.12256	0.12658	0.11669	0.10157

Note: The regulator approved an increase of 1.25% for BTS customers and 10% for the rest of the tariffs. These increases are applied as a new charge in the customer's bill and is not included in this table

Source: ASEP

For the last several years, increases in rates resulting from the semi-annual rate adjustment process were not fully passed through to customers in the form of tariff increases, but were passed through directly to customers, in part, with the remaining amount paid for by the Panamanian Government. The following table illustrates the approved rate increases and the amount of government subsidy we have received for the periods listed below.

Tariff adjustments applied to customer rates

	Increase requested (%)	Increase requested (\$ in mm)	Govt subsidy received (%)	Govt subsidy received (\$ in mm)	Increased passed to customers (%)	Increase passed to customers (\$) ^(b)
January 1, 2021 to March 31, 2021	-9.09%	-\$25,345	-31.07%	-\$7,922	-3.49%	-\$17,423
July 1, 2020 to December 31, 2020	-8.93%	-\$27,142	23.18%	\$9,633	-13.32%	-\$36,775
January 1, 2020 to June 30 2020	-1.51%	-\$5,081	121.18%	\$22,764	-8.90%	-\$27,845
July 1, 2019 to December 31, 2019	-8.01%	-\$28,778	-70.83%	-\$45,606	4.94%	\$16,828
January 1, 2019 to June 30 2019	9.34%	\$31,401	19.14%	\$10,345	6.50%	\$21,056
July 1, 2018 to December 31, 2018	14.89%	\$46,259	377.49%	\$42,728	1.17%	\$3,531

Source: Company information

Power purchases

ENSA is required by law to provide contract coverage for regulated customers' contribution to the System Peak Demand (Demanda Máxima de Generación, or DMG), and the associated energy. It is obligated to contract 100% of the demand of regulated customers (including large users) for the next two years, 90% for the following third year and fourth years, and 80% for the following fifth and sixth years. This requires that ENSA accurately estimates customers' needs while limiting the possibility of over contracting. The Company's power purchase strategy of engaging in medium and long term contracts is designed to protect customers from fluctuations in the energy cost component of their tariff and to avoid a strong dependence on the electricity spot market, whose prices can be subject to greater fluctuation. ENSA and the other distributors operate closely with ETESA when working with its power purchase program. They provide ETESA with their needs and ETESA in turn submits a Request For Proposal, or RFP, to generators. ETESA administers the bid process, contract negotiations and other logistical items, and then assigns the contract to distributors. Energy purchase costs are passed through during this process, saving ENSA time and energy as ETESA manages the majority of related administrative processes. For the year ended December 31, 2020, ENSA purchased approximately 90% of its total energy requirements through power purchase agreements, and has contracted 60% of its energy needs through the end of 2021. Purchase prices for these contracts are based on competitive bidding processes.

The capacity and associated energy contracts are not take-or-pay contracts for the energy component; the energy component is only paid for when it is used. However, the Company has unconditional long-term contractual obligations, related to the purchase of power capacity only, which is totally passed through to their customers.

The amount of payments required for such obligations are listed below:

Long-term energy purchase obligations

Year	Payment Obligations
2021	274,319.00
2022	366,326.00
2023	450,587.00
2024	447,210.00
Hereafter	2,498,563.00
Total	4,037,005.00

Source: Company information

ENSA currently has contracted [96]% and [80]% of its expected [2022] and [2023] capacity requirements. Currently, ENSA must include large customers (> 100 kW) in its energy and power capacity contract coverage. However, if a large regulated customer elects to become unregulated, all of the energy purchase agreements allow the Company to exclude from its contract the proportionate amount represented by that customer. Nevertheless, ENSA is required to contract capacity for its large regulated customers, although they are able to become unregulated and purchase energy directly from generators.

The following table summarizes the main features of ENSA's power purchase agreements as of [March 31, 2021].

Power purchase agreements

Generator	Initial month	Expiry month	Capacity (MW)	Capacity price (\$/kWmonth)	Fuel (\$/kWh)	O&M (\$/kWh)	Total (\$/kWh)
AES PANAMA DME-007-08	2012-01-01	2021-12-31	39.00	10	0	0.0729	0.0729
ENEL FORTUNA DME-008-08	2013-01-01	2022-12-31	8.05	12	0	0.0750	0.0750
AES PANAMA DME-009-08	2013-01-01	2022-12-31	9.43	10	0	0.0798	0.0798
HYDRO CAISAN DME-010-08	2016-01-01	2025-06-10	5.09	31.62	0	0.0306	0.0306
ELECTRON INVESTMENT DME- 011-08	2013-01-01	2022-12-31	10.35	15	0	0.0697	0.0697
ALTERNEG Y DME-012-08	2013-01-01	2022-12-31	18.40	25.71	0	0.0654	0.0654
BONTEX DME-013-08	2013-01-01	2022-12-31	4.60	25.71	0	0.0654	0.0654
ENEL FORTUNA DME-016-11	2015-01-01	2029-12-31	7.87	6.55	0	0.0942	0.0942
HIDROECOLOGIA TERIBE DME-018-11	2015-01-01	2029-12-31	2.67	8.5	0	0.1009	0.1009
ENERGÍA Y SERVICIOS DE PANAMÁ, S.A. DME-020-11	2015-01-01	2029-12-31	1.46	11.5	0	0.0912	0.0912
GENERADORA PEDREGALITO, S.A. DME-021-11	2015-01-01	2029-12-31	1.05	30	0	0.0542	0.0542
CALDERA ENERGY CORP DME-022-11	2015-01-01	2029-12-31	0.80	25	0	0.0633	0.0633
GENERADORA RIO CHICO, S.A. DME-023-11	2015-01-01	2029-12-31	0.64	30	0	0.0542	0.0542
GENERADORA ALTO VALLE, S.A. DME-024-11	2015-01-01	2029-12-31	0.61	30	0	0.0542	0.0542
DESARROLLOS HIDROELECTRICOS CORP. DME-025-11	2017-03-01	2030-11-15	0.51	10.35	0	0.0965	0.0965
GENERADORA RIO CHICO, S.A. DME-019-13	2013-01-01	2027-12-31	0.48	0	0	0.1320	0.1320
UEP PENONOME II, S.A. DME-001-14	2029-07-01	2033-12-31	6.65	0	0	0.0949	0.0949
PARQUE EOLICO TOABRE DME-002-14	2022-03-01	2036-07-01	23.18	0	0	0.0950	0.0950
UEP PENONOME II, S.A. DME-003-14	2029-07-01	2033-12-31	12.35	0	0	0.0919	0.0919
PANAMA SOLAR 2, S.A. DME-002-15	2017-07-01	2036-12-31	0.33	0	0	0.0860	0.0860
SOLPAC DME-003-15	2020-05-01	2036-12-31	2.49	0	0	0.1048	0.1048
GAS NATURAL DEL ATLÁNTICO DME-004-15	2018-09-01	2028-08-31	126.00	38.83	0	0.0268	0.0268
SINOLAM GTP DME-005-15	2022-08-01	2037-07-31	126.00	32.09	0	0.0209	0.0209
AUTORIDAD DEL CANAL DE PANAMÁ DME-001-20	2020-10-01	2021-12-31	30.15	6.43	0	0.0000	0.0000
BAHÍA LAS MINAS CORP DME-002-20	2020-04-01	2022-12-31	126.36	4.38	0	0.0000	0.0000
CELSIA CENTROAMÉRICA. S.A. DME-003-20	2020-10-01	2021-12-31	19.09	5.1	0	0.0000	0.0000
GENERADORA RIO CHICO, S.A. DME-019-13	2013-01-01	2027-12-31	0.48	0	0	0.1320	0.1320
UEP PENONOME II, S.A. DME-001-14	2029-07-01	2033-12-31	6.65	0	0	0.0949	0.0949
PARQUE EOLICO TOABRE DME-002-14	2022-03-01	2036-07-01	23.18	0	0	0.0950	0.0950
UEP PENONOME II, S.A. DME-003-14	2029-07-01	2033-12-31	12.35	0	0	0.0919	0.0919
PANAMA SOLAR 2, S.A. DME-002-15	2017-07-01	2036-12-31	0.33	0	0	0.0860	0.0860
SOLPAC DME-003-15	2020-05-01	2036-12-31	2.49	0	0	0.1048	0.1048
GAS NATURAL DEL ATLÁNTICO DME-004-15	2018-09-01	2028-08-31	126.00	38.83	0	0.0268	0.0268
SINOLAM GTP DME-005-15	2022-08-01	2037-07-31	126.00	32.09	0	0.0209	0.0209
AUTORIDAD DEL CANAL DE PANAMÁ DME-001-20	2020-10-01	2021-12-31	30.15	6.43	0	0.0000	0.0000

Generator	Initial month	Expiry month	Capacity (MW)	Capacity price (\$/kWmonth)	Fuel (\$/kWh)	O&M (\$/kWh)	Total (\$/kWh)
BAHÍA LAS MINAS CORP DME-002-20	2020-04-01	2022-12-31	126.36	4.38	0	0.0000	0.0000
CELSIA CENTROAMÉRICA. S.A. DME-003-20	2020-10-01	2021-12-31	19.09	5.1	0	0.0000	0.0000
ELECTRON INVESTMENT. S.A. DME-004-20	2020-05-01	2022-12-31	9.72	5.0	0	0.0000	0.0000
ENEL FORTUNA, S.A. DME-005-20	2020-04-01	2022-12-31	160.50	4.76	0	0.0000	0.0000
FOUNTAIN HYDRO POWER CORP. DME-006-20	2021-01-01	2022-12-31	15.39	4.5	0	0.0000	0.0000
GENERADORA DEL ATLANTICO. S.A. DME-007-20	2020-04-01	2022-10-31	74.00	4.98	0	0.0000	0.0000
HIDROECOLÓGICA DEL TERIBE. S.A. DME-008-20	2020-10-01	2021-12-31	7.76	5.45	0	0.0000	0.0000
IDEAL PANAMÁ. S.A. DME-009-20	2020-10-10	2021-12-31	25.43	6.00	0	0.0000	0.0000
GENERADORA PEDREGALITO. S.A. DME-010-20	2020-10-01	2022-10-31	7.20	0	0	0.0640	0.0640
LAS PERLAS SUR. S. DE R. L. DME-011-20	2020-08-01	2022-10-31	1.98	0	0	0.0696	0.0696
HIDRO PANAMÁ. S.A. DME-012-20	2020-04-01	2022-12-31	2.25	0	0	0.0744	0.0744
HYDRO CAISÁN. S.A. DME-013-20	2020-10-01	2022-11-30	36.00	0	0	0.0640	0.0640
ISTMUS HYDRO POWER S. DE R. L. DME-014-20	2020-08-01	2022-12-31	1.98	0	0	0.0696	0.0696
AES PANAMÁ DME-015-20	2020-08-01	2022-12-31	98.09	0	0	0.0700	0.0700
ENEL FORTUNA. S.A. DME-016-20	2021-01-01	2022-12-31	193.65	0	0	0.0656	0.0656
FOUNTAIN HYDRO POWER CORP DME-017-20	2020-07-01	2022-11-30	17.59	4.75	0	0.0700	0.0700
GENERADORA DEL ISTMO. S.A. DME-018-20	2020-09-01	2022-11-30	11.11	6.5	0	0.0650	0.0650
PAN-AM GENERATING LIMITED DME-019-20	2021-10-01	2021-10-31	53.01	6.439	0	0.0955	0.0955
PEDREGAL POWER COMPANY. S. DE R. L. DME-020-20	2020-04-01	2021-03-31	48.51	6	0	0.0700	0.0700

Source: Company information

The energy ENSA purchased during 2019 had an average overall cost of US\$[150] per MWh. For 2020 and for [the first quarter of 2021], ENSA's average overall cost of energy was US\$[125] per MWh and US\$[122] per MWh, respectively, principally due to a decrease of prices by the drop of demand. ENSA measures the energy delivered by generators at its connection points to the transmission grid. Once metered, the purchased energy is allocated to each contract on an hourly basis in the proportion of the capacity contracted with each generator divided by the DMG.

If any generator is unable to fulfill its capacity commitments, ENSA is entitled to compensation from the generator for the associated energy not supplied at three times its contracted capacity price. Payment of this penalty does not exempt the generator from a compensation claim by ENSA for any fines that the Company may incur as a result of the capacity shortfall.

Payment for the purchased energy is due 30 days from invoicing, which, under the contracts, is required to take place within the first five days of each month. As a guarantee for payment, each of the Company's power purchase contracts requires an annual performance bond equal to the value of ENSA's average monthly consumption at the contracted average overall price. Likewise, generators issue performance bonds in ENSA's favor to guarantee the supply of the contracted energy.

The table below summarizes the composition of ENSA's energy purchases, including allocated transmission losses, in [the three months ended March 31, 2021] and the years ended December 31, 2019 and 2020:

Energy purchases

	Three Months Ended March 31,		Year Ended December 31,			
	2021		2020		2019	
	GWh	%	GWh	%	GWh	%
AES Panamá	151	0.21	509	0.15	500	0.13
Enel Fortuna	56	0.08	351	0.10	201	0.05
Others Hydro.....	83	0.12	432	0.12	630	0.17
Spot Market.....	116	0.16	550	0.16	-239	-0.06
Transmission Losses	33	0.05	171	0.05	113	0.03
Isolated Systems - Service B.....	16	0.02	64	0.02	67	0.02
Gas Natural Atlantico	187	0.26	618	0.18	742	0.19
Aes Panama	0	0.00	81	0.02	189	0.05
Panam	0	0.00	341	0.10	547	0.14
Generadora del Atlántico.....	0	0.00	24	0.01	22	0.01
JINRO	20	0.03	98	0.03	118	0.03
KANAN	0	0.00	161	0.05	203	0.05
Other Thermal.....	0	0.00	0	0.00	397	0.10
PV	3	0.00	10	0.00	191	0.05
Wind.....	49	0.07	94	0.03	135	0.04
Total	715		3,505		3,815	

Source: Company information

Government subsidies

In 2004, the Panamanian Government established a Stabilization Rate Fund (*Fondo de Estabilización Tarifaria*, or FET) with the goal of minimizing sudden increases in the applicable tariff paid by customers. The FET is funded by the Panamanian Government. The primary subsidies are (i) the FET base, which is distributed to all customers that consume less than 500 KWh each month, (ii) the FET increment/CVC (or FET increase), which offsets for all customers tariff increases due to cost pass through as a result of fuel price increase above the estimated price included in tariff.

In 2015, the Panamanian Government changed the subsidies model. Subsidies now apply to customers who have a consumption of less than 300KWh per month and apply progressively in accordance with consumption. Customers with consumptions from 0 to 50KWh receive a subsidy of 34.10%, and customers with consumptions from 251-300 KWh receive a subsidy of 10.28%.

Due to the Covid-19 pandemic, the Panamanian Government increased subsidies to 50% for all customers who consume less than 300 KWh and set a new 30% subsidy for all customers who consume from 301KWh to [1,000KWh], as well as BTB and BTH residential and commercial customers. On [April 1, 2021] the Panamanian Government revised these subsidies to 41% for customers who consume less than 300 KWh and 14.31% for customers who consume between 301 KWh to 750 KWh.

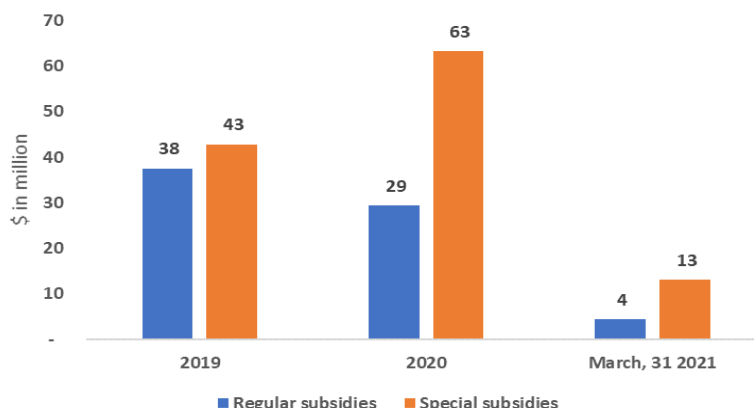
In the near term, the Panamanian Government is expected to reduce the special subsidy to eventually eliminate it and only have the normal subsidies that applied before the COVID-19 pandemic.

Total subsidies under these schemes amounted to US\$81 million in 2019 and US\$92 million in 2020, respectively. The Panamanian Government subsidies are generally reimbursed to the Company in June and December of each year. Late payment of subsidies are subject to interest of approximately 7% (per

year). The subsidies granted by the FET are reflected as discounts on the customers' bills and are passed onto the Panamanian Government.

The following chart outlines the FET base, special subsidies paid in 2019 and 2020 and 2021:

Tariff stabilization subsidies paid for 2019 and FY 2021



Source: Company information

Construction, maintenance and operations

ENSA is responsible for constructing and maintaining the electrical distribution grid within its concession area. ENSA performs these operations through existing outsourcing contracts with highly experienced third parties. Grid construction requirements may originate from system expansion, load increases within the served areas, reliability improvements, or quality of service related improvements. All contracts with third parties are renegotiated upon expiration to guarantee cost efficient execution of all construction projects.

System maintenance is similarly performed through qualified and experienced third party contractors. We determine the scope, material and skills required, and the execution time for all planned preventive and required corrective maintenance within the system.

The Company monitors its system operation on a 24-hour basis from a centralized load dispatch center located in our office in Santa Maria Business District, a facility where ENSA also maintains and dispatches necessary emergency crews. ENSA successfully upgraded its radio communication, supervisory control, and data acquisition system, or SCADA, used for controlling field operations and dispatch with modern SCADA-DMS and distribution automation systems. Customers' calls are received at a 24-hour call center. Service outages and emergency requirements are registered in the outage management system and are immediately attended to by the dispatch center and third-party service crews in order to restore the electricity service within the shortest possible time. Routine upgrades and investments in ENSA's distribution grid and operating system benefit the Company's customer base. Through constant monitoring, construction, and maintenance, ENSA strives to increase operational efficiencies with the goal of better serving its customers.

Data processing systems

ENSA is currently in full compliance with all applicable software licensing laws and regulations. The main information systems are SAP-based and include SAP Enterprise Resource Planning (ERP ECC) for financial and supply chain process. SAP Solution for Utilities (IS-U), and SAP Customer Relationship Management (CRM) for customer, commercial and billing process. SAP IS-U a well-known specialized Software for the energy industry. The outage management system and Scada System was developed and installed by Telvent an information technology and industrial automation Company specializing in SCADA (Telvent was acquired by the Schneider Electric group). Schneider Electric a European multinational Company providing energy Solution and automation digital. ENSA Enterprise Asset Management System

Maximo® was developed by IBM Company for asset management, monitoring and predictive maintenance. The Company's state-of-the-art technology allows it to have a highly efficient operation, providing it with real-time monitoring of the deployed network and allowing the Company to reduce its energy losses.

ENSA has a combination of Company-owned and third-party owned fiber optic and data transmission systems designed to support all of its operations. These include technical operations for data communication between and among distribution substations and the dispatch center, customer service center communications with the customer information system, communications between Company headquarters and various regional offices, third-party contracted call center, and external collection agents (banks, supermarkets, hardware stores, and specialized collection companies). The Company has also made agreements with local companies to provide alternate processing centers, backup capabilities in the event of a system interruption, remote data warehousing, and critical information backup systems.

Billing and collection procedures

In 2020 the Company closed with a receivable account with more than sixty days with a total of clients of 116,496 with a debt of 12.4MM and as of March 31, 2021 the clients a debt with more than sixty days are 96,846 and 9,015 respectively. We reduced our clients with a debt more than sixty day in 16.9% and reduce our receivable account in a 27.4% with more than sixty days. ENSA has the right to suspend service when its customers' accounts are more than 60 days overdue.

The Company in compliance with the IFRS 9, records a loss provision in the end of every period, and uses the main macroeconomic indicators to our receivables accounts. In the closing of 2020 we estimated our provision for doubtful collection with a percentage of 16% for active accounts, 93.0% for cut-off accounts and 99.7% for closed accounts.

During 2020, ENSA did not record any write-offs due to COVID-19 pandemic but we expect to return write-off some doubtful accounts that were considered uncollectible and record a provision in order to represent on the balance sheet the necessary allowance for doubtful accounts based on the analysis of the accounts receivable at year end and using the criteria described above.

The Company continues to adopt new measures to improve billing and collection efficiency, including the installation of a new commercial management system, the use of external face-to-face and digital collection agents such as supermarkets in the role of sub-agents, self-functional payment stations such as ATMs. and financial institutions, and stricter enforcement of the disconnect. The read and bill cycles have been redesigned to make them much more efficient and further reduce the business cycle. ENSA is also promoting lower-cost payment mechanisms, including electronic funds transfer and direct debit. ENSA currently adopts the use of new technological forms to bring customers closer to a better experience, through an APP that allows inquiries and payment when appropriate. This same functionality is also available from ENSA website.

ENSA's customers incur interest charges at an average rate equal to the previous six months' rate for commercial deposits on all amounts outstanding after 30 days from the billing date. The Company requires that customers provide security deposits for an amount equal to the estimated consumption for one month. These customer deposits accrue interest at an average rate equal to the applicable six months commercial deposit rate for the previous six months period and are refunded to the customer after one year, if by then, the customer has established a good payment record according to ASEP's criteria.

Customer service

As of [March 31, 2021], ENSA operates [eleven] customer service agencies distributed throughout Panama City, Colon city, and Darien. These agencies collect payments, set up new contracts, disconnect service, address customer complaints and provide general information services to the general public and to clients.

ENSA also offers a 24-hour call center to address most commercial services, outage reports, invoicing inquiries, general information requests, public lighting requests and other services. This operation has been outsourced to an experienced call center operator with international experience and high-level knowledge.

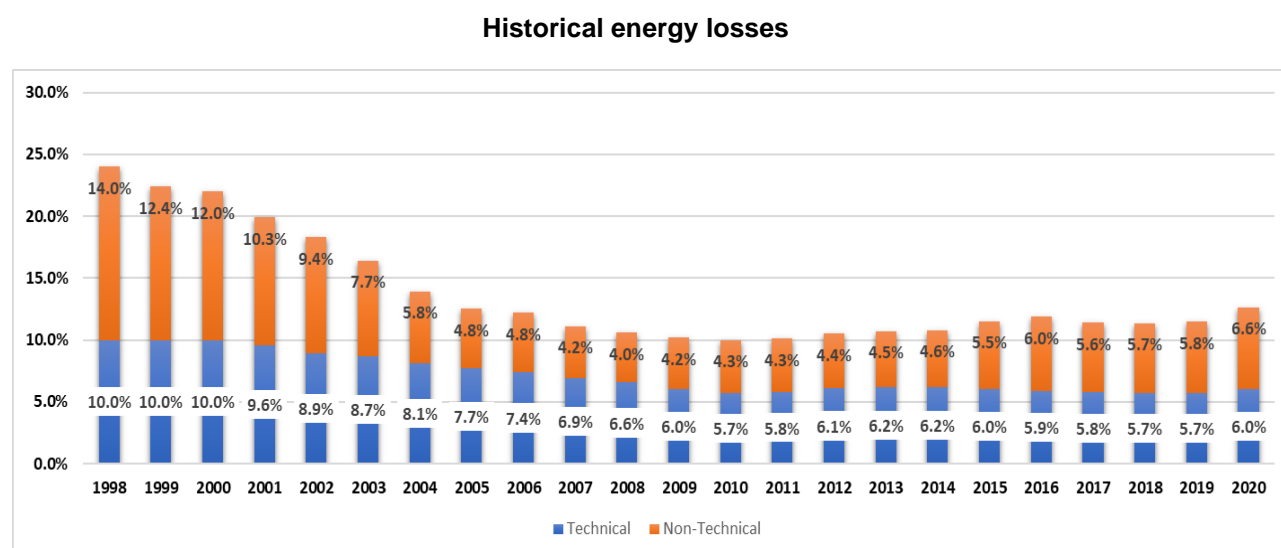
Additionally, as part of the loss reduction campaign, the Company's crews and trained personnel are sent to the field to identify illegal consumers, advise them as to the dangers and risks inherent with energy theft, and allow them to contract as a paying customer on the spot. These measures have significantly improved relations with the community and provided significant results in ENSA's efforts to reduce illegal connections within the service area.

Through ENSA's commitment to customer service and investment in its distribution system, the Company ensures that the customer receives the benefit of current technological advancements and operational efficiencies.

Electricity losses

ENSA experiences technical and nontechnical electricity losses. Technical electricity losses are those that occur in the ordinary course of distribution operations, or those resulting from the specific characteristics of the distribution network. Nontechnical electricity losses are those that result from illegal connections, fraud, or billing errors. ENSA implemented a well-defined and thorough loss reduction program, which includes replacing obsolete consumer meters, improving customer consumption monitoring as well as improving its internal process, using power loggers to identify illegal connections, migrating illegal users into regulated clients in new low income urban developments, installing shielded cable to reduce theft, and improving error detection through the installation of digital metering at the substation and grid connection level. Additionally, ENSA has implemented a strong corporate communications program aimed at migrating illegally connected residential users to regular paying customers and seeking to raise awareness within the community about the safety hazards generated by illegal connections. During the last several years, energy theft has been gradually recognized as an act punishable by law. Under this new interpretation of the law, ENSA has brought before the Panamanian courts a significant number of energy theft cases, primarily against commercial and residential customers.

The combination of a strong corporate communication program and the prosecution of commercial and residential customers contributed towards changing the perception that energy theft is acceptable, especially among low income residential consumers. The following table outlines ENSA's historical energy losses since the Company's privatization in 1998:



Source: Company information

At the time of ENSA's privatization in 1998, energy losses within the concession area were approximately 24.0%, of which 10.0% was considered technical losses and the remaining 14.0% resulted from theft or fraud from regular customers (mostly residential and commercial) and illegal connections in economical marginal sectors. Since the privatization in 1998, ENSA has reduced its total overall losses by approximately 58%. Since the privatization, as of today, approximately 175,800 illegal connections have become regulated customers.

ENSA has maintained a technical loss rate in the [6.0]% area since [2009]. Given that the Company's customer base includes few accounts with demand for power delivered via high-tension cables, ENSA does not anticipate a meaningful reduction in technical losses going forward. Due to many government mandated lockdowns last year, increase of unemployment rate and decrease of operations of the Company due to restrictions from the Covid-19 pandemic, non-technical losses increased by 0.8%. We intend to have energy losses, ranging between 11.0% to 11.5% in the next few years, to return to the level of energy loss before the Covid-19 pandemic. Thereafter, we expect to continue to trend positively to reach a sustainable level of energy loss around 10.5%. These level of losses would allow expenditures for loss reduction initiatives to equal to the benefits derived from such expenditures Minimum Service Requirements

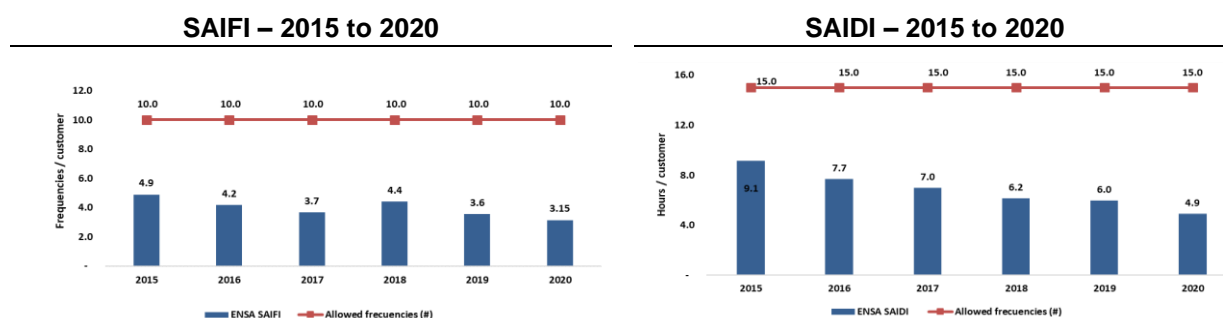
The Company is required to comply with reliability, quality of supply, and customer service standards set out in regulations published by ASEP, in accordance with a timetable included in the Concession Contract.

System Reliability

The main indicators used to measure service reliability are the frequency (SAIFI) and the duration (SAIDI) of service disruptions. Since 2004, these individual indicators have been measured by area. As of the date of this offering memorandum, our concession area is made up of the following areas: urban area, suburban area, concentrated rural area, dispersed rural area, and widely dispersed rural area. The type of zone or area is determined by Resolution AN No. 12989-Elec of ASEP (National Authority of Public Services), and is based on the average consumption and number of active clients per district. As of March 31, 2021, the maximum SAIFI allowed is 10 per customer, per year in urban areas; 12 per customer, per year in suburban areas ; 14 per client, per year in a concentrated rural area; 16 per client, per year in dispersed rural areas; and 36 per customer, per year in widely dispersed rural areas. The maximum SAIDI allowed is 15 hours per customer, per year in urban areas; 26.30 hours per customer, per year in suburban areas; 36.70 hours per client, per year in concentrated rural areas; 43.8 hours per customer, per year in dispersed rural areas and 100 hours per client, per year in widely dispersed rural areas. the event that the disruption frequency and duration limits are exceeded, ENSA must compensate each customer for such breach.

ENSA has an Operations Management System (OMS) to manage disruptions and be able to measure the performance of the service reliability indicator. At this moment, ENSA is in the process of implementing an ADMS (Advanced Distribution Management System)

The following charts outline ENSA's weighted average SAIFI and SAIDI measures for its entire network since 2015 for both urban and rural areas:



Source: Company information

The following table summarizes the average annual frequency and duration of interruptions per customer under the parameters for the urban areas within ENSA's concession zone for the indicated periods.

Urban SAIFI statistics

<i>(number of interruption per year)</i>	January 2021 to March 31, 2021	January 2020 to December 2020	January 2019 to December 2019	January 2018 to December 2018
Cumulative 12 Months.....	0.80	4.40	4.53	6.43
Last Month.....	0.31	0.38	0.27	0.18
Regulatory Target	10.00	10.00	10.00	10.00

Urban SAIDI Statistics

<i>(number of interruption per year)</i>	January 2021 to March 2021	January 2020 to December 2020	January 2019 to December 2019	January 2018 to December 2018
Cumulative 12 Months.....	1.12	6.34	7.62	9.39
Last Month.....	0.42	0.45	0.34	0.24
Regulatory Target	15.00	15.00	15.00	15.00

Source: Company information

In 2020, ENSA had [3.15] average interruptions per customer in urban areas compared to the [3.6] average interruptions per customer, the maximum allowable urban SAIFI level for the 12-month period. The total time of interruptions, on a per average customer basis, was [4.9] hours, compared to [6.0] hours average per customer, the maximum urban SAIDI level.

Quality of Supply

Other efficiency parameters apply to voltage levels. As an incentive for distributors to invest in improving system reliability, ASEP imposes penalties for supply interruptions that exceed regulatory limits based on a deemed cost for energy not supplied of US\$1.85 per kWh. These penalties are paid in the form of discounts on subsequent invoices. ENSA's power purchase agreements with its generators typically specify corresponding penalties at 3 to 7 times the contract price of energy for supply interruptions attributable to that generator. Distributors are obligated to perform voltage reading to 0.5% of their customer base every semester and report such results to the regulators. The regulator has set targets that must be within the voltage deviation regulated range, which is more than 95% of the readings. Through March 31, 2021, our global quality of supply indexes have been maintained under regulatory targets as shown in the table below.

Voltage – % Within the Allowed Range

	January 1, 2021 to March 31, 2021	July 1, 2020 to December 31, 2020	January 1, 2020 to June 30, 2020	July 1, 2019 to December 31, 2019	January 1, 2019 to June 30, 2019
Actual.....	97%	N/A	N/A	97%	96%
Regulatory	95%	95%	95%	95%	95%

Source: Company information

Customer Service

Separate regulations cover standards of metering and customer service, including connection and reconnection speed, information in advance to customers on planned outages, percentage of total billing based on estimated consumption and response times for dealing with billing questions and/or claims. In addition to the penalties under ASEP's supply quality and customer service regulations, we can also be found liable and must pay compensation when a customer's personal equipment, such as computers, televisions, refrigerators or stereo systems, is damaged as a result of defects and sudden changes in the

electricity supply. The following table shows the overall compliance with the principal customer service regulated indicators, specifically, connection time, reconnection time, and estimated bills:

Customer Service Indicators

	Three Months Ended March 31,		Year Ended December 31,	
	2021	2020	2019	2019
Modification Connection (Working Days)				
Actual.....	1.31	1.05	1.36	1.18
Regulatory	3	3	3	3
Reconnection (Hours)				
Actual.....	8.76	11.23	11.98	11.32
Regulatory	24	24	24	24
Estimated Bills (Percentage)				
Actual.....	0.91%	0.99%	0.89%	0.93%
Regulatory	2%	2%	2%	2%

Source: Company information

Non-compliance with technical and customer service regulated indicators is compensated to the individual customer affected by such non-compliance. ENSA's compensation payments from 2018 through [March 2021] are shown in the following table:

	Six Months Ended June 30,	Year Ended December 31,		
	2021	2020	2019	2009
Damaged Equipment	0.00	2,232.43	0.00	0.00
Voltage Level Fluctuations	38.20	27,532.13	28,613.98	100,736.84
Interruptions.....	0.00	313,399.92	1,858,919.18	1,130,456.31
Public Lighting.....	4,300.00	74,194.36	18,373.64	64,454.32
Commercial.....	57,774.03	91,671.22	52,836.08	84,749.12
Total	62,112.23	509,030.00	1,958,742.90	1,380,397.00

Source: Company information

We are engaged in investments and improvements aimed at minimizing future exposure to service penalties. In addition to the incidence management system referred to above, other initiatives include investment in network technology system upgrades.

Employees

The following table shows the composition of our employees by functional area at the end of each year through 2020 and at the end of [the first quarter of 2021]:

Employees by functional area

	As of March 31,	As of December 31,		
	2021	2020	2019	2018
Distribution engineering.....	205	208	197	176
Customer service	39	40	40	29
Finance and administration	26	25	27	35
Information systems	29	28	29	32
Human resources.....	11	11	11	11
Loss reduction.....	57	57	53	74
Purchase & logistics.....	43	44	40	39
Other.....	160	160	147	170
Ensa Servicios, S.A. (ENSE)	69	69	70	19
Total	639	642	614	585

Source: Company information

ENSA also employs independent contractors to perform many activities not related to its core business, such as providing equipment maintenance and security for the internal communication network.

As of [March 31, 2021], [379] of the Company's [570] employees were unionized as members of the Sindicato de Trabajadores de la Industria Eléctrica y Similares de la República de Panamá, or SITIESPA. Terms and conditions of employment are governed by the Panamanian Labor Code as supplemented by a collective bargaining agreement (convención colectiva) between ENSA and SITIESPA. A new four-year collective bargaining agreement with the SITIESPA was successfully negotiated and signed in [November of 2017], and will remain valid through [November 2021] or until a new collective bargaining agreement is negotiated and signed replacing the existing arrangement. ENSA believes it has a positive relationship with its employees and has not been affected by any work stoppages. According to Panamanian labor law, employees serving in the public utility sector are prohibited from work stoppages or strikes that affect the delivery of utilities services.

The annual average cost per employee for the year ended December 31, 2020, excluding severance payments, was \$[26,693], of which \$[1,128] was attributable to overtime. The main components included in this cost, in addition to normal monthly salary and related overtime, are: a thirteenth month additional salary payable in three installments in April, August, and December, as required under the Panamanian Labor Code.

Ensa Servicios, S.A. (ENSE) is a subsidiary of ENSA and for the year ended December 31, 2020, 56 of Company's 69 employees unionized as members of the Sindicato de Trabajadores de la Industria Eléctrica y Similares de la República de Panamá, or SITIESPA. Terms and conditions of employment are governed by the Panamanian Labor Code as supplemented by a collective bargaining agreement (convención colectiva) between ENSE and SITIESPA. A new four-year collective bargaining agreement with the SITIESPA was successfully negotiated and signed in [November of 2017] and will remain valid through [November 2021] or until a new collective bargaining agreement is negotiated and signed replacing the existing arrangement. ENSE believes it has a positive relationship with its employees and has not been affected by any work stoppages.

The annual average cost per employee for the year ended December 31, 2020, excluding severance payments, was \$[15,687], of which \$[760] was attributable to overtime. The main components included in this cost, in addition to normal monthly salary and related overtime, are: a thirteenth month additional salary payable in three installments in April, August and December, as required under the Panamanian Labor Code.

A supplementary payment under the Company's collective bargaining agreement increasing the December portion of the thirteenth month entitlement so employees receive an amount equal to two months' salary in December.

Statutory employer contributions at the following rates:

- Social Security (Caja de Seguro Social, or CSS) at [12.5]%;
- Education tax (seguro educativo) at [1.5]%;
- Professional insurance (riesgos profesionales) at [3.64]%;
- Non-contributory life insurance coverage of US\$[1,000] per employee plus additional life and accident coverage for those working in high risk areas; and
- Medical insurance for managerial and other non-unionized employees.

In addition, under Law 44 dated August 14, 1995, ENSA makes contributions every three months into an independently managed trust to finance future severance liabilities. The contribution rate is 1.92% of the total salary to cover length of service entitlements and 0.327% of the total salary to cover compensation payments for unjustified terminations or justified resignations.

In 2020, overtime rates averaged [12.5]% of an employee's base salary depending on the amount of overtime worked within a particular period and include a premium rate for working on weekends.

Under the most recent agreement with SITIESPA, all of ENSA's employees are entitled to a [50]% discount in their electricity bills. Similar discounts are granted to employees in other privatized electricity companies. ENSA is entitled to collect the amount of the discount received by other electric companies' employees living within the concession area. Likewise, ENSA must reimburse other distributors for the [50]% discount granted to employees living within their concession zones.

Since the privatization of the electricity industry, ENSA has implemented several programs to increase productivity levels such as changing the organizational structure, and increasing outsourcing to provide services and activities such as maintaining street lights and trimming trees, delivering customer invoices, performing connections and reconnections, and providing personnel at payment agencies.

Under the Panamanian Labor Code, upon termination of employment, with or without cause, employees are entitled to an amount reflecting length of service (prima de antigüedad), which is calculated according to such employee's average weekly salary over the previous five years, or the period of employment if less, and on the basis of one week's salary for every year of service. If termination is without cause, the employee is also entitled to an amount for indemnification based on the employee's commencement date, length of service, and the greater of the average weekly salary for the previous six-month period or the previous one-month period.

Under the collective bargaining agreement with SITIESPA, any employee whose employment is terminated without cause, in addition to receiving the indemnification contemplated under the Labor Code, is entitled to receive a special indemnification payment based on the employment commencement date, as summarized below:

Indemnification payments

Years of service		Special indemnity amount
Workers with two to three years of services.....	\$	[0.00]
Workers with four to five years of services	\$	[0.00]
Workers with five or more years of services	\$	[0.00]

Source: Company information

The following table sets forth the evolution of the customer-to-employee ratio resulting from the measures that we have already taken to reduce employment levels:

Customers and employees

	As of March 31,		As of December 31,	
	2021	2020	2019	2018
Number of customers	491,283	478,728	465,907	454,980
Number of employees	570	573	544	566
Customers per employee	0.0012	0.0012	0.0012	0.0012

Source: Company information

Property

ENSA's principal properties consist of transmission and distribution lines, poles, distribution substations, transformers, and rights of way located in the northern and eastern part of Panama, including the eastern part of Panama City, the port city of Colón, and the Gulf of Panama. Apart from the distribution lines and distribution itself, no single asset produces a significant impact on total revenues.

ENSA's corporate headquarters are located in a building with ten floors in an exclusive business district in Panama and is one of the most modern buildings in the Panama City. ENSA has 11 customer service agencies located throughout Panama City, Darien and Colon City. It also has 16 key substation and switching equipment, distribution transformers, meters, and interconnections with ETESA transmission network.

As of December 31, 2020, and [March 31, 2021], ENSA's property, plant and equipment consisted of:

Property, plant and equipment

	March 31, 2021	December 31, 2020
Electricity poles, towers and accessories	180.99	180.96
Transformers.....	97.59	97.23
Ducts and underground conductors.....	240.21	233.18
Consumer services		
Aerial conductions and accessories	16.77	23.85
Substation equipment	125.12	124.94
Consumer meters.....	66.23	65.21
Building and improvements	35.54	35.54
Public lighting equipment	6.74	6.62
Transportation and communication equipment	20.92	20.04
Furniture and office equipment.....	5.80	5.78
Ongoing constructions.....	58.18	52.30
Others.....	3.10	3.10
Sub Total	857.19	848.73
Less: accumulated depreciation and amortization	(312.93)	-306.50
.....		
Land.....	9.35	9.35
Total.....	553.61	551.58

Source: Company information

Insurance

ENSA has insurance in place to cover the risk of losses in its operations arising from a variety of sources, including, among others, risks arising from major natural disasters such as fires, earthquakes, or floods, as well as coverage of business interruption, sabotage, terrorism, increase in operating costs for ENSA, damage caused to goods by accidental contamination, qualified and simple theft, and Coverage for transmission lines.

The Company's insurance policies are underwritten by an established Panamanian insurer, Seguros Suramericana, S.A., ENSA currently carries a broad range of insurance policies designed to protect its assets against a range of perils during their operational periods, as well as in the event of certain business interruptions. ENSA's key assets are insured: fixed assets are kept insured at new replacement value for machinery and equipment. Buildings and civil works are kept insured at reconstruction value. The goods are insured at a new replacement value on the insured's premises, as long as it is reported as such; otherwise, it will be the book balance value. Money is also insured under the insurance policy.

ENSA carries market insurance of these risks for a fixed amount including third-party property liability.

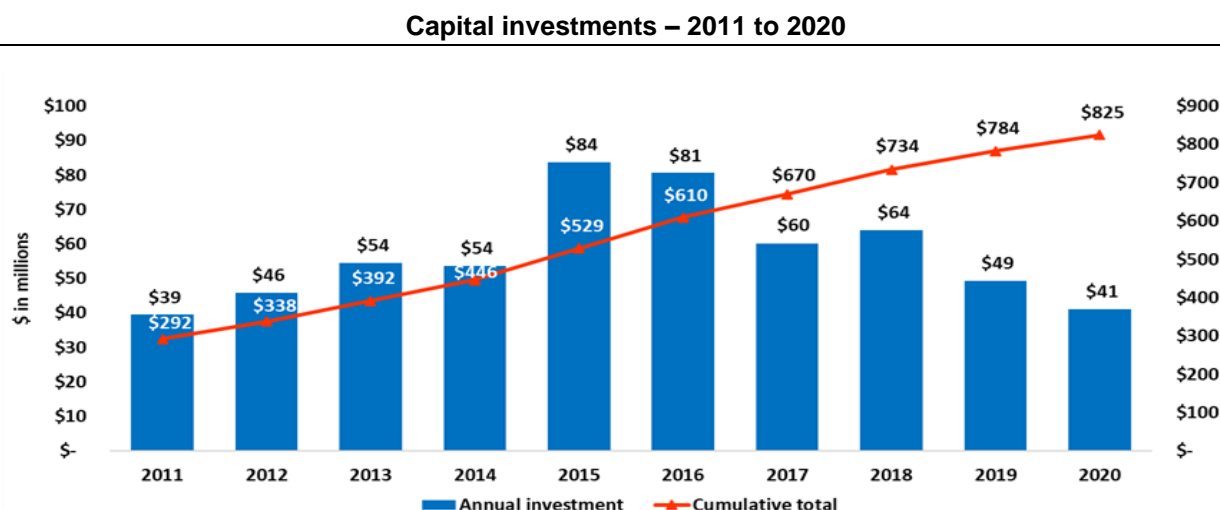
Competition

ENSA is the only company licensed to operate an electricity distribution system in the northern and eastern part of Panama, including the eastern part of Panama City, the port city of Colón, and the Gulf of Panama. As a result, ENSA does not compete for regulated customers in its service area. Clients that choose to participate in the wholesale market must use ENSA's distribution network to access the generators or the transmission grid, and these clients must pay the distribution component of the corresponding regulated tariff.

Capital expenditures

Prior to the privatization, ENSA's assets and overall system condition reflected the low levels of capital expenditure and inadequate maintenance. The Company took early action to correct these deficiencies, investing a total of \$825 million from 1999 through 2020 to grow and maintain the network.

The following chart outlines the Company's capital investments since its privatization in 2011:



[\$191.479] million of new investments have been approved by the Panamanian regulator to be spread across fiscal years [2019, 2020, 2021, and 2022].

The following capital projects are currently the focus of ENSA's investment program:

Costa del Este Substation

This project consists of:

- Construction and commissioning of an encapsulated 115 / 13.8 kV substation in Costa del Este, for two power lines and two 50 MVA transformers, and its shielded switching equipment for distribution circuits, in a building suitable for the environment of Costa del Este.
- Repowering of high voltage lines 115-28 and 115-29.
- Construction of underground lines 115 kV, double circuit, from SE Llano Bonito to SE Costa del Este (4.8 km approx.).

With the construction of this project, ENSA ensures the transformation capacity required to meet the growth in demand in the south zone of the Juan Díaz and Parque Lefevre areas, especially the Costa del Este zone and its surroundings.

Additionally, it allows a more efficient operation of the system since the substation is located in the load center, the routes of the medium voltage circuits are reduced, which represents lower technical losses, and also improves the reliability of this area, which



has a commercial / industrial park, commercial and office areas, and high-profile (medium and high-density) residential areas.

Entry into operation: 2018

Total investment: \$19 million

Geehan Substation Expansion

In recent years, the electricity demand in the Eastern Zone of our concession has experienced notable growth, mainly of residential and commercial type load. The substation transformation capacity is close to reaching its limit and will not meet reliability criterion n-1.

The project consists of the addition of a new 33 MVA transformer, with windings in 13.8 kV and 34.5 kV, which will allow to strengthen the reliability through the backup in 34.5 kV from the 24 de Diciembre Substation.

The project began execution in 2020, its entry into operation is estimated in 2021. Estimated total investment: \$3 million.



Santa Maria Substation Expansion

Due to the growth in demand in areas surrounding the Santa María Substation, as well as the increase in the probability of failure of the TX3 transformer due to its age, the need to expand the substation was identified.

This project consists of raising the operating capacity of the substation from 100 MVA to 150 MVA by replacing the TX3 transformer, 115 kV equipment, metal clad and the incorporation of a new 50 MVA transformer, which will ensure the capacity to meet the growth in demand of the zone, whose main clients correspond to shopping malls, hospitals, universities and upper-middle-class residential areas; and guarantee reliability to these important loads served by the substation.

The project is in execution and its entry into operation is planned for the beginning of the year 2022. Estimated total investment: \$12 million.



Calzada Larga Substation Expansion

This project will supply and support the growing energy demand in the areas surrounding the Calzada Larga Substation through the installation of a 25 MVA transformer and higher capacity equipment.

It should be noted that all these extensions will be carried out on a new plot of land acquired by ENSA, which will allow expedited access to our facilities, since our current substation is located on land owned by another market agent.



The project is in the design phase, its execution is planned to start in 2022. Estimated investment: \$2 million.

Implementation of an Advanced Distributed Management System (ADMS)

In order to update the software and hardware platform that supports the operation and improve the monitoring and control processes of the electrical network, which allow a safe, efficient, and reliable operation, ENSA advances the implementation of the ADMS system, which seeks to integrate the SCADA, DMS, and OMS applications. During 2018, a process of analysis and raising of technical specifications was carried out, so that as of 2019, the execution of this project began. This project will be completed by December, 2021 with an investment of approximately \$ 6.3 million.



Source: Company information

Environmental matters

The Panamanian legal framework governing environmental matters was enacted through the 1998 Environmental Law, systematically ordered by the Single Text of 2016, which includes the amendments to the Environmental Law, which created a national environmental authority, Ministerio de Ambiente, or MiAmbiente. Since entering into the Concession Contract, ENSA has been in compliance with applicable existing environmental regulations and has not been subject to any penalty or sanction.

Under the Sale and Purchase Agreement governing the privatization, PDG is also required to comply with the recommendations of an environmental audit that was conducted by Golder on behalf of the Panamanian Government as part of the privatization process. Similar obligations apply to ENSA under the Concession Contract.

Golder was commissioned to produce a baseline environmental study for each of the generation and distribution companies being privatized and identify corrective measures to be undertaken within two years of the privatization. In the case of sites allocated to ENSA under the privatization, Golder recommended corrective measures with an estimated cost between US\$560,000 and US\$935,000, of which, a high percentage related to the isolated systems generation units. Under the Sale and Purchase Agreement, the Panamanian Government has indemnified PDG against the cost of any additional corrective measures that may be required by MiAmbiente or any other governmental entity in Panama for issues that took place before the privatization.

In addition to expenditures for corrective measures, ENSA has developed and implemented its own environmental management program and adopted its own environmental health and safety policies. In particular, the Company has established procedures for hazardous waste control and oil management, identified and audited local recycling facilities, eliminated the use of chlorinated solvents, implemented an identification labeling and control program for polychlorinated biphenyls, (or PCB's), and expanded facilities for hazardous waste storage. ENSA also contracted a French Company to package and transport materials containing PCB to France for final treatment and disposition.

Since the Golder report was based on site visits covering only a portion of ENSA's assets, PDG commissioned Environmental Consulting and Technology, Inc., or ECT, to conduct a more comprehensive baseline study involving environmental site assessments for all of the Company's locations. ENSA provided MiAmbiente with a copy of sampling data from the ECT site visits identifying oil and PCB contamination

and risk data so that ANAM can determine any action to be taken. Although ENSA received no notification from MiAmbiente of any requirement for additional remedial efforts, any such requirement in relation to site contamination existing prior to privatization would be subject to the indemnification provisions under the Sale and Purchase Agreement.

The Company undergoes periodic environmental audits performed by the consulting ITS and ENSA's environmental officer and related personnel in its operations units. Currently, ENSA introduced to the Ministerio de Ambiente (MiAmbiente) three (3) Environmental Compliance and Management Programs (PAMA) submitted voluntarily to the ANAM. In 2011, the Administration of MiAmbiente issued the Resolution No. 007-PAMA DIPROCA 2011 that approves one (1) of the three Environmental Compliance and Management Programs presented to MiAmbiente. ENSA is expecting that this state authority will approve the other two PAMAS presented.

Legal proceedings

As a result of the ordinary course of business, the Company is, or could be involved in lawsuits for tax, labor, civil and regulatory matters before various courts, regulatory commissions and government agencies. The Company recognizes a provision when it is probable that a liability has been incurred and the amount of the loss associated can be reasonably estimated. The Company is not capable of predicting the final outcome of the different judicial processes, but after consideration over these provisions it is not expected that the final outcome in these processes have a significant effect on the financial considerations or in the operational results of the Company.

As of March 31, 2021, ENSA has reserved the amount of USD. 618,929.30 to cover possible losses resulting from any third-party claims. These reserves are presented as "Reserves for Contingencies" in the balance sheet. The following are the most representative cases:

- Civil Proceedings for Damages of US\$ 3.0 million submitted by Inversiones Chugani, S.A, against ENSA for damages due to the electric connection to people invading their property (Exp. 64060-10)
- Civil Process for Damages of USD. 651,848.25, caused by the interruption of the electrical service to a Galley of Chickens - (exp. 98500-15 / Aristides Contreras and others)
- Civil Process. Claim: USD.1,000,000.00. Reason: for damages caused to certain housing units when carrying out drilling works in streets during civil and electrical projects (exp. 4848214 / Alex Montenegro and others- La Toscana Urbanization)
- Civil Proceeding for an amount of USD 6,997,782.51, claiming damages for the early termination of a contract (Exp. 77359-2015, SEGURITAS INC against ENSA)
- Civil Process for an amount of USD1,000,000.00, claiming moral damages due to an accusation of energy fraud (HARRY ACEDO vs ENSA)

New Concession Contract upon the expiration of the existing Concession Contract

ENSA's Concession Contract will expire in October of 2028.

Law 43 of August 9, 2012, authorizes ASEP to determine criteria and compliance procedures for distribution companies with respect to article 47 of Law 6 of 1997. This article establishes the timeframe and process for the sale of the package of controlling shares of the private sector in the electric distribution companies, as well as for the granting of the new distribution Company Concession Contracts, due to the expiration of the existing Concession Contracts.

One year prior to ENSA's current Concession Contract expires, ASEP is required to convene a competitive tender process (*acto público de licitación*) for the sale of the package of controlling shares of the private sector within ENSA, currently held indirectly by EPM. As part of the tender process, as it was done in 2013, there is a standardization process (*acto de homologación*) of the Concession Contract draft that will be executed between the winning bidder and ASEP. During the standardization process, all terms of the contract, including the tariff formula, are evaluated for potential adjustments, which may differ from the terms and conditions of ENSA's current Concession Contract. At the same time, ENSA is not obliged to pay the State for the new concession.

EPM may participate in this process. If EPM's offer is equal to or higher than the highest price offered by any other third bidder, EPM will retain the property of the 51% block of shares for an additional 15-year period without paying any further amount to the Panamanian Government. Should a third bidder offer a higher price for EPM's holding, the 51% block of shares shall be awarded to the highest bidder, with EPM receiving all sale proceeds. Only pre-qualified operators will be invited to participate, and Financial sponsors will not be invited to the tender process since there are technical requirements that are required to participate.

Section 10

Overview of the Panamanian electricity industry

Industry overview

Introduction of Panamanian electricity usage

Panama has a mixed hydro thermal electricity system with a current installed generating capacity [as of December 31, 2021] of approximately [4,127.74] MW, ([43.86]% hydro, [44.89]% thermo-electric, [6.54]% wind and [4.71]% solar), with a peak demand of [1,969] MW, supplying approximately [1,185,849] customers for 2020, an increase of approximately [2.6]% customers from the average of 2019. In 2020, with an average hydrology, approximately [66.37]% of gross generation output came from hydroelectric capacity. Over [38.9]% of the generating capacity is located in the west of the country, close to the Costa Rican border, where the majority of Panama's hydroelectric resources are located. A [430] kilometer transmission line links these plants to the load center in the Panama City-Colón corridor.

The electricity system in Panama is interconnected with those of Costa Rica, Honduras, Nicaragua, El Salvador and Guatemala. The governments of Central America have developed a regional electricity market, including an interconnected system known as the Central American Interconnection System or SIEPAC (Sistema de Interconexión de los Países de América Central). The project consists of an approximately 1,800 km transmission line across the six countries of the isthmus, from Guatemala to Panama. This 230 kV single-circuit transmission line has increased the interconnection capacity between each country to 300 MW. The regional transmission line began partial operations in 2010 and became fully operational in the middle of 2014.

Since 2014, electricity sales have been growing at an average of approximately 2.75% per year before the COVID-19 pandemic and recorded a decrease in 2020 of 3.76% or totaled [8,096.97] GWh, of which [43.68]% is residential, [38.28]% is commercial, [2.33]% is industrial, [15.62]% is used by the public sector including street lighting and [0.09]% is from unregulated customer consumption. This is equivalent to a monthly consumption rate of approximately [569] kWh per customer ([248.54] kWh for residential customers only). As of 2018, 93.4% of the population was served by electricity, according to *the Comisión Económica para América Latina y el Caribe* or CEPAL. The rest of the population resides in remote areas not served by electricity distribution networks.

Regulatory entities

The organizations that participate in the regulation of the energy sector in Panama are:

La Secretaria de Energia (The Secretary of Energy), establishes the Panamanian Government's policies for the energy sector. In order to ensure security of the supply, a more varied and clean energy matrix with renewable resources, and the rational and efficient use of resources and energy in a sustainable manner. Such policies are formulated with the collaboration of other government agencies, such as the Public Services Regulator and the ETESA Planning Unit.

Ente Regulador de Servicios Públicos (the Public Services Regulator or ASEP, whose name changed in April 2006 to Autoridad Nacional de los Servicios Públicos or the National Authority of Public Service). The Public Services Regulator regulates power generation, transmission, interconnection, and distribution activities in the electric power sector; approves generation and transmission programs; and promotes competition within the different areas of the energy sector so that economically efficient and high quality energy services are provided. Its responsibilities include: (i) evaluating the efficiency of the services supplied; (ii) establishing the tariff structure for services; (iii) establishing the tariff structure for access to and use of the grids and dispatch charges; (iv) classifying which consumers of electricity are subject to tariff regulation; and (v) determining the rules for the planning and coordination of the National Interconnected System.

Unidad de Planificación de ETESA (the ETESA Planning Unit). The ETESA Planning Unit is a special administrative unit of ETESA and is responsible for the National Energy Plan and National Reference

Expansion Plans. The ETESA Planning Unit is also responsible for forecasting the overall energy requirements of Panama and determining ways to satisfy such energy requirements, including developing alternative sources of energy and establishing programs to conserve and optimize the use of energy. Utility companies are required to prepare and submit business plans to the ETESA Planning Unit. ETESA helps ENSA administer the bid process, contract negotiations and other administrative functions, and delivers a PPA to ENSA for their review and confirmation.

Centro Nacional de Despacho (the National Dispatch Center or CND). The CND is operated by ETESA. The CND is responsible for the planning, supervising, and controlling the integrated operation of the National Interconnected System and for ensuring its safe and reliable operation. The CND is also responsible for (i) coordinating the operation of the National Interconnected System with regional dispatch centers; (ii) compiling information and defining generation programs for each generator; (iii) receiving offers from generators that participate in the energy exchange market; (iv) developing daily demand forecasts and managing dispatch; (v) determining the hourly energy spot prices in the exchange market and the amounts of electricity sold; (vi) managing the transmission network and the auxiliary services required for the proper operation of the National Interconnected System; and (vii) providing settlement values on a monthly basis with respect to the division of energy between suppliers and producers.

The Rural Electrification Office (OER) is responsible to promote the electrification of areas not served, non-profitable, and non-concessioned.

History

Prior to the 1998 privatization of the Panamanian generation and distribution sectors, the electricity sector in Panama was under the management of the state-owned integrated electrical utility, Instituto de Recursos Hidráulicos y Electrificación, or IRHE. IRHE was created in 1961, initially to provide service in areas not served by the existing private sector utilities and, in general, to promote the development of electricity services in Panama.

Thereafter, IRHE gradually took over the assets and operations of the existing private sector utilities. Beginning in the mid 1970s, it significantly expanded the capacity of the system with the commissioning of new hydroelectric plants, particularly in the west of Panama, and introduced a National Dispatch Center to optimize system operations and allow electricity interchange with the Panama Canal Commission and other Central American countries.

Re-introduction of private capital into the sector followed the Legislation Enactment in 1995 permitting private electricity generation. This was followed by the Public Services Regulatory Agency Law in January, 1996 and the 1997 Electricity Law in February, 1997. Modifications to the 1997 Electricity Law were made in February 1998 under Decree Law No. 10 of February 26, 1998, and ancillary regulations were introduced by presidential decree in the form of the Executive Decree No. 22 of June 19, 1998.

In 1998, the Panamanian Government divided IRHE's assets and operations, other than transmission, into four generation companies and three distribution companies for purposes of privatization. The 51% shareholdings in the distribution companies, including Elektra, were sold by the Panamanian Government in September, 1998. This was followed in November, 1998 by the sale of 49% shareholdings in the hydroelectric and thermal generation companies, and a 51% shareholding in the main thermal generation company. Under the parameters established by the Panamanian Government, at least 25% of each bidding consortium had to be held, either directly or through an affiliate, by a company with the required level of generation or distribution experience. In the case of generation, this included having an equity base of at least US\$500 million, over five years of generating experience, and control of at least 500MW of generating capacity. In the case of distribution, it included a minimum equity base of US\$250 million, over three years of distribution experience, and at least 350,000 distribution customers. In each case, the minimum equity base could include that of other consortium members in proportion to their shareholdings. The results of these privatizations were as follows:

Privatization of IRHE's distribution and generation businesses

Distribution

Company	1997 unit sales (GWh)	1997 customers	% sold	Amount bid(a) (\$)	Buyer (principal investors)
Metro Oeste and EDE Chiriquí	1,993.0	260,066.0	51.0	212.0	Unión Fenosa Panama Distribution Group (Constellation)
Elektra	1,282.0	166,375.0	51.0	89.0	

(a) \$ in millions, excluding post bid adjustments.
Source: Company information

Generation

Company	Type	Installed capacity (MW)	% sold	Amount bid(a) (\$)	Buyer (principal investors)
EGE Fortuna	Hydro	300.0	49.0	118.0	Americas Generation Group (Coastal/Hydro-Quebec) Enros AES
EGE Bahía Las Minas	Thermal	253.0	51.0	92.0	
EGE Chiriquí and EGE Bayano	Hydrothermal	283.0	49.0	92.0	

(a) \$ in millions.
Source: Company information

Twelve months before the date of privatization, the Panamanian Government reserved up to 10% of the shares of the privatized companies for sale to employees at a discount of 6% to the privatization price. Under the 1997 Electricity Law, the Panamanian Government can sell its remaining shares by public auction or through the stock exchange, subject in each case, to each purchaser being limited to acquiring no more than 5% of the company concerned.

The ASEP

Established under the 1996 Public Services Regulatory Agency Law, ASEP is an autonomous government agency with responsibility for regulating water, telecommunications, electricity, and natural gas. Decree Law No. 10 of February 22, 2006 restructured and renamed ASEP and, as of April 25, 2006, is now known as the National Authority of Public Service (ASEP). ASEP has the same responsibilities and functions as was held by ERSP, but has one General Administrator and one Executive Director, each appointed by the President of Panama and ratified by the National Assembly, and has three National Directors under the Authority of the General Administrator: one for the electricity and water sector, one for the telecommunication sector, and one for the customer service sector. National Directors are responsible for issuing resolutions relating to their respective industry, and appeals from these resolutions are taken to the General Administrator as the final stage of the administrative process.

ASEP's responsibilities include:

- Ensuring compliance with sectoral laws and regulations and applying sanctions;
- Issuing concessions and licenses;
- Monitoring quality of service standards;
- Verifying fulfilment of expansion and system improvement targets as required by law, regulation or under the terms of specific concessions or licenses;
- Promoting competition and investigating monopolistic or anti-competitive practices;
- Determining efficiency criteria for evaluating the performance of regulated companies;

- Establishing the principles and methodologies for tariff regulation;
- Determining information to be provided by public service providers;
- Arbitrating conflicts between operators, government agencies, municipalities and consumers; and
- Authorizing land expropriation and rights of way for service expansion.

ASEP is financed from various sources, including a fee payable by all providers of electricity services. This fee, which is payable monthly and is not recoverable from consumers, may not exceed on an annual basis, 1% of gross sector revenues in the preceding year. On an individual company basis the applicable percentage is applied to revenues from regulated and non-regulated customers minus amounts paid by the Company to other service providers to cover energy purchase and transmission costs. The fee for 2018, 2019 and 2020, was set at [0.8701]%, [0.8699]%, and [0.8591]%, respectively. In 2021, this fee has been set at [0.8884]%.

The 1997 electricity law

The 1997 Electricity Law was introduced to improve operational efficiencies, reach reliable quality of service, guarantee a good quality of supply through the promotion of competition and private sector participation, and to keep the cost of the service at reasonable prices. Key provisions include:

- Establishing a ministerial Energy Policy Commission (Secretaría de Energía, previously named Comisión de Política Energética) with responsibility for the development of energy policy
- Defining the duties and obligations of electricity service providers, including continuity of supply and provision of open access in transmission and distribution
- Dividing the generation, transmission, and distribution operations of IRHE into separate companies and the establishment of requirements for management and accounting separation of generation, transmission, and distribution activities
- Restricting participation by distribution companies in generation and in transmission, and by generation companies in the control of distribution companies
- Establishing procedures for privatization of the sector other than ETESA, the company formed to hold IRHE's transmission assets, which was to remain wholly state-owned
- Establishing procedures for the granting of concessions and licenses subject to limitations on the market shares of individual generators and distributors
- Defining the role of ETESA and procedures for management of central dispatch
- Providing for large customers with a maximum demand of over 500 kW to purchase directly from generators and other suppliers. Since 2005, the regulating entity has reduced this limit to 100 kW.
- Establishing principles of tariff setting for price-regulated services

The Secretary of Energy has no authority to amend the 1997 Electricity Law or to adopt additional laws or regulations relating to the electricity industry. However, it does have the authority to initiate for the consideration of the Panama National Assembly, changes in existing legislation or the adoption of new legislation relating to the electricity industry. This initiation and support could lead the Panama National Assembly to amend the 1997 Electricity Law or adopt new legislation relating to the electricity industry. In addition, the Executive Branch can also promote legislative changes.

Concessions and licenses

Under the 1997 Electricity Law, concessions are required for the construction and operation of hydroelectric or geothermal plants and for the provision of transmission or distribution services. Concessions are awarded by ASEP and have the following time limits:

Hydroelectric and Geothermal Generation	50 years
Transmission	25 years
Distribution	15 years

When a distribution concession reaches the end of its term, ASEP is required to conduct a competitive bid process for the sale of a minimum 51% shareholding in the company holding the existing concession, following which a new 15-year concession is granted. The owner of the shareholding can participate in the bidding and will only be required to sell (and transfer control of the concession) if its price is below that of another bidder. In the absence of a higher bid the owner can retain the shares without making any payment. If outbid, the owner receives the proceeds, and the successful bidder takes over control of the concession. Thermal generation plants must be licensed by ASEP, but do not require a concession.

Under its concession contract, each distributor has a defined concession zone within which it has exclusive rights both to install, own, and operate a distribution network and the obligation to supply energy to end users other than large customers who opt not to be served as regulated customers. Large customers are currently defined as those with peak demand on a site-by-site basis of over 100 kW, and can choose to buy energy directly from other sources including generators, other distributors, or from the spot market (*mercado ocasional*).

Apart from certain sections of the border between Metro Oeste and Elektra in Panama City and the Canal Area, each distributor's concession zone extends for a distance of between 500 meters from its existing network and from any new lines under construction. Distributors are obliged to provide service to any end user within 100 meters of their existing lines on the basis of their standard connection tariffs. Anyone located further from the existing network can be required to make a contribution to cover the additional costs of connection based on amounts per meter subject to approval by ASEP. In addition to the concession zone, each distributor is granted a zone of influence extending up to 3 kilometers beyond its concession zone.

When new electrification projects arise outside the concession zone, the right to provide service is awarded on a competitive basis by ASEP. Where this arises within the zone of influence, the competition is conducted on a basis granting preferential rights to the existing distributor. In the case of rural electrification projects supported with subsidies from the Rural Electrification Office, or OER, the nearest distributor has a first option to provide service where this can be achieved at the lowest cost through an extension of an existing line. Otherwise, projects are awarded by competitive tender to the bidder requiring the lowest subsidy.

Under their concession contracts, distributors are required to comply with the standards and technical requirements established by ASEP and the CND, in particular those relating to quality and reliability of supply and customer service parameters, customer metering, and the operation of the national integrated system. In addition, distributors are required to provide public lighting within the concession area in accordance with standards defined by ASEP. Under the 1997 Electricity Law, the cost of this service is recoverable from end users in proportion to their consumption.

The concession contracts contain timetables for achieving improvements in quality of service, metering, and public lighting. If required standards are not met, customers are entitled to tariff rebates at levels defined by ASEP. Concession contracts may also impose obligations to extend continuity of supply within isolated systems and complete designated rural electrification projects.

No distributor or its shareholders may participate, directly or indirectly, in the control of generation assets with an aggregate capacity representing more than 15% of its total customer demand within its concession zone. Within this limit, distributors may only engage in generation activities, given that there is adequate management and accounting separation. Similar requirements apply to involvement in transmission.

System operation

The Electricity Law provides for the operation of the system and administration of the wholesale market to be managed by the CND, a unit within ETESA with separate accounting records. The wholesale market consists of a bilateral contract market between operators for the provision of capacity and/or energy with competitive prices from bid processes, and a balancing spot market with hourly prices (mercado ocasional) for settling transfers of electricity for uncontracted capacity and energy.

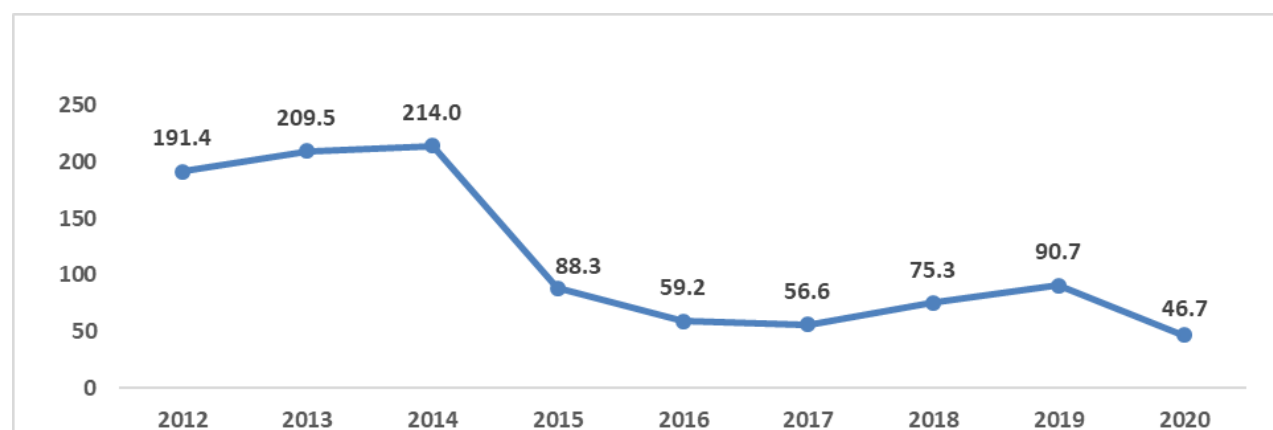
Distributors are required to obtain long term contracts to cover the capacity requirements of their regulated customer base and the associated energy. The amount of contract cover required is based on a month-by-month analysis submitted to ASEP by the CND each year using forecasts supplied by the distributors (Informe Indicativo de Demanda). The amount of contract cover provided by an individual generator may not exceed its own firm capacity and any such capacity acquired from other generators under reserve contracts. For hydroelectric plants, firm capacity is calculated by the CND based on the characteristics of the plant after taking account of hydrological risks.

The CND dispatches plants in merit order by reference to their variable costs subject to system security, operating constraints, and the operational regulations approved by ASEP (Reglamento de Operación), using a dispatch model incorporating stochastic dynamic programming to calculate the opportunity cost of water. The hourly spot price is based on the variable cost of the marginal plant dispatched. Transmission losses are valued with the respective average contracted price and charged separately to distributors based on loss factors applicable to their connection points on the ETESA grid.

Variances between a generator's actual dispatch and contracted energy volumes are settled through the spot market. Out of merit plants dispatched by the CND to maintain real time system stability (generación obligada) receive an additional payment to cover the difference between their variable costs and the hourly spot price. CND is also responsible for the coordination of auxiliary services (servicios auxiliares) and their remuneration through additional charges to the system.

Details of the average monthly spot price in the sport market since January, 2020, excluding capacity costs, are set out below.

Average spot price (energy only) – 2012 through 2020



Source: Company Information

Industry segments

Generation

As of December 31, 2020, installed generating capacity in Panama including auto-generators was [4,127.74] MW, of which [43.86]% was attributable to hydroelectric generators, [44.89]% was attributable to thermal generators and the remaining [11.25] % was attributable to wind and solar generators. Initially, the system was mostly thermal but became gradually more mixed with the commissioning of the hydroelectric plants at Bayano, La Estrella, Los Valles, Changuinola and Fortuna, a reservoir-based hydroelectric facility operated by Empresa de Generation Eléctrica Fortuna, S.A. between 1976 and 1984. In 2020, hydroelectric generation accounted for [66.37]% of total electricity generation compared to [25.31]% generated by thermoelectric production and [8.32]% attributable to wind and solar generation. The composition of its current generating capacity is set below.

Generating capacity on the interconnected system in Panama (December 2020)

Generating capacity

Plant	Maximum effective capacity (MW)	Operation started	Date commissioned	Owner (principal investors)
Fortuna	300.0	1984/1993	1984/1993	ENEL Fortuna
Bayano	260.0	1976	1976	AES Panama
Changuinola	212.8	2011	2011	Aes Changuinola
Estí	120.0	2003	2003	AES Panama
Baitún	88.2	2012	2012	Ideal Panama
El Alto	72.2	2014	2014	Hydro Caisan
La Potra y Salsipuedes	57.9	2016	2016	Fountain Hydropower
Bajo de Mina	56.8	2012	2012	Ideal Panama
Los Valles	54.8	2007	2007	AES Panama
Monte Lirio MLIG1, MLIG2, MLG3	51.7	2014	2014	Electron Investment
La Estrella	47.2	2007	2007	AES Panama
Pando	33.0	2020	2020	Electron Investment
BONYIC	30.0	2015	2015	Hicroecologica del Teribe
Barro Blanco	28.5	2017	2017	Generadora del Istmo
Prudencia	28.1	2012	2012	Celsia Centroamerica
Las Cruces	21.0	2015	2015	CEISA
Pedregalito I	20.0	2011	2011	Pedregalito
Others	279.0			
Total Hydro	1,761.1			
Termo Colon G2	157.8	2009	2009	GENA
PANAM	156.0	2016	2016	Panam Generating
Cativa	87.0	2019	2019	Celsia Centroamerica
Pacora	54.0	2003	2003	Pedregal
MIR G10 y MIR G12	40.8	2014	2014	ACP
MIR G9 MIRG11	40.8	2014	2014	ACP
Ciclo combinado	34.0	2000	2000	Bahia Las Minas
BLM – CARBON	120.0	2011	2011	Bahia Las Minas
Costa Norte	381.0	2009	2009	GANÁ

Plant	Maximum effective capacity (MW)	Operation started	Date commissioned	Owner (principal investors)
Others	0.0			
Total Thermal	1,071.4			
Pocri	16.0	2019	2019	Panama Solar 2
Divisa Solar	9.9	2016	2016	Divisa Solar 10 MW
Solar Los Angeles	9.5	2017	2017	Solar Azuero Venture
Solar Chiriqui	9.3	2015	2015	ENEL Green Power
Solar Cocle	9.0	2017	2017	Solar Coclé Venture
Solar Paris	9.0	2017	2017	Solar Panama Venture
El Espinal	8.5	2017	2017	PSZ1
Others	5.9			
Total PV	77.1			
Nuevo Chages I & II	55.0	2018	2018	UEP Penonome I
Marañon Portobelo I Rosa de los Vientos I & II	215.0	2018	2018	UEP Penonomé II
Total Wind	270.0			
Total	3,179.52			

Source: CND

The capacity of the Panama Canal Authority, or PCA, (formerly the Panama Canal Commission), is primarily used to serve the needs of the Panama Canal, but in conditions of high surplus of hydrology, energy may be available to supply the national system.

Under the 1997 Electricity Law, generation companies will not be granted new concessions if they account, directly or indirectly, for more than 25% of national electricity consumption. The percentage may be increased by the Panamanian Government, subject to the opinion of ASEP, whereby they may be justified by competitive conditions. The percentage was increased to 40% as of November, 2005. This provision does not apply to licenses for thermal generation.

The following table sets out the gross and net generation by type of generation in the Panamanian system for each year from 2017 to 2020.

Generation by type (GWh)

	2020	2019	2018	2017	Annual growth (2008-2011)
Hydroelectric					
Gross generation	7,196	4,980	7,633	7,155	6%
% of total	70.1%	46.9%	71.6%	64.9%	2%
Thermal					
Gross generation	2,169	4,665	2,211	3,247	2%
% of total	21.1%	43.9%	21%	29%	-2%
PV					
Gross Generation	317	295	232	143	-27%
% of total	3.1%	2.8%	2%	1%	-29%
Wind					
Gross generation	590	678	588	484	0%
% of total	5.7%	6.4%	6%	4%	-4%
Gross generation	10,272	10,618	10,664	11,029	4%
Own consumption	449	92	26	118	-45%
Net generation	10,623	11,141	10,783	10,597.00	2%

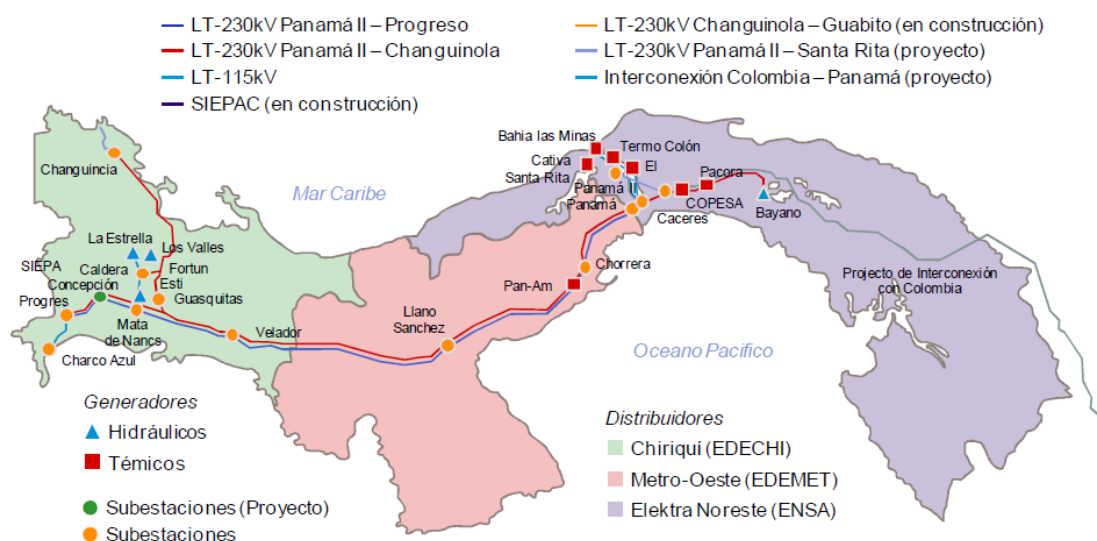
Source: Centro Nacional de Despacho (CND)

Transmission

Set forth below is a map of ETESA's transmission system showing the location of the principal generating plants and substations.

In 2020, the transmission system in Panama comprised of approximately [2,808.93] kilometers of single and double circuit 230kV lines linking the main generation facilities to the system load center at Panama City, [312.33] kilometers of single and double circuit 115kV lines, and a total of [24] substations with a total capacity of [2,858.1]MVA.

Transmission system



Source: ETESA

The system is owned and operated by ETESA. Under the 1997 Electricity Law, ETESA is responsible for producing an annual expansion plan for the interconnected system in line with quality and reliability standards and development objectives set by the Secretary of Energy. This plan is based on projections of expected growth in demand and energy consumption over the next 20 years, which market participants are required to submit by June 30th of each year. The plan is mandatory for Transmission projects and an indicative purpose for Generation projects. ETESA is required to carry out all projects included in the Transmission Expansion Plan, as approved by ASEP, and all related construction work must be contracted on the basis of competitive bidding. The network expansion must be financed by ETESA, however ETESA can choose whether or not to finance the connection of generators or distributors to the transmission network in return for a reimbursable contribution.

Average losses of energy in transmission over the period from 2018 to 2020 have been as follows:

Average losses of energy in transmission

Year	Transmission Losses
2018	397,872.11
2019	267,480.84
2020	407,831.97

Source: CND

The cost of transmission losses is allocated directly to distribution companies on the basis of loss factors reflecting their location in the system. At present, almost [3.84]% of transmission losses are charged to distribution companies receiving delivery at Panama City and Colón substations.

The 1997 Electricity Law provides open access to transmission subject to a regulated tariff for connection and use of system charges. The current tariff, which was approved by ASEP is due to remain in force until [June 2021].

The transmission tariff is designed to cover the capital, administrative and operational costs of the system on an economically efficient basis so as to provide an expected rate of return before taxation on net fixed assets that is within a [2]% range above or below the average yield on the 30 year US Treasury Bond in the year preceding the setting of the tariff, plus a risk premium of [7]%. For the initial tariff in 1998, the rate of return for transmission was set at [13.45]% based on a [6.45]% average for the 30 year US Treasury Bond. The actual tariff period 2017 to 2021 was set at [7.76]%. Every year within the tariff period one third of the transmission charges are adjusted according to inflation and revised for compliance with authorized investment programs. Delays in such investment programs lead to a reduction in the transmission charges.

ETESA's charges for the use of the system are differentiated by zone depending on the extent to which the user is close to the system load center. Generation charges are calculated based on their installed capacity for distribution companies, and large customer charges are determined by reference to their peak demand.

Distribution

Following the privatization of the distribution operations of IRHE and subsequent corporate modifications, the Panamanian distribution network was split between Elektra (ENSA) and two other companies under common management, Empresa de Distribución Metro Oeste (EDEMET) and Empresa de Distribución Chiriquí S.A., (EDECHI). EDEMET serves the western side of Panama City and the central region of the country and EDECHI serves the area close to the Costa Rican border. Further details of their number of customers and business mix are contained in the following table.

2020 Generation by type (GWh)

Distributor	Customers at December 2020	Market Share	Unit Sales (GWh)	Consumption supplied		
				High Tension	Medium Tension	Low Tension
EDEMET	532,552	45%	3,746		717	3,029
ENSA	486,996	41%	3,527	431	757	2,339
EDECHI	166,301	14%	824	2	171	651
Total	1,185,849		8,097	434	1,645	6,018

Note: Public lighting is included in Low Tension consumption; includes wheeling energy.
Source: ASEP and CND

Demand

Maximum peak demand in the Panamanian system in 2020 was [1,969] MW. In 2020, the average load factor for the system, inclusive of transmission losses, is estimated to have been approximately [0.787] %. Set forth below is a table showing the development of annual maximum demand in the system from 2018 to 2020.

Demand (MW)

Maximum Demand (MW)	1,969	1,961	1,665
Annual Growth	0.41%	15%	
Maximum Demand (MW)	1,969	1,961	1,665

Source: ASEP and CND

Consumption

Electricity sales to end consumers in Panama were [8,097] GWh for 2020, a decrease of [3.8]% from 2019. Over the last two years decrease in sales has averaged [0.7]% annually compared to an average of [3.3]% annual growth in GDP. The most recent *Plan de Expansión del Sistema Interconectado Nacional 2020-2034* issued by the Etesa contains a forecast between [1.58% to 4.47%] average annual sales growth for the period [2020-2040]

Electricity demand growth vs. GDP growth

	2020	2019	2018	Average annual growth
Consumption Growth	-7.74%	3.67%	1.08%	-1.00%
GDP Growth	-17.95%	3.04%	3.60%	-3.77%

Source: ASEP and CND

The table below shows electricity sales by customer category (GWh):

Sales to end consumers by customer category (GWh)

	2020	2019	2018	Average annual growth
Residential	1453.059	1330.528	1264.047	9.21%
Commercial	810.426	1220.049	1387.001	-33.57%
Industrial	41.037	83.739	139.494	-50.99%
Government	452.518	506.103	439.058	-10.59%
Public Lighting	72.665	69.086	66.05	5.18%
Block sales (wheeling)				
Total	2829.71	3209.51	3295.66	-80.77

Source: Secretary of Energy

The table below shows the number of end consumers by customer category over the same period:

Number of end consumers by customer category

	2020	2019	2018	Average annual growth
Residential	447,200	430,576	419,913	6.50%
Commercial	35,912	35,912	35,219	1.97%
Industrial	403	290	221	82.36%
Government	3,745	3,798	3,686	1.60%
Total	487,260	470,576	459,039	6.15%

Source: Secretary of Energy

The table below summarizes the energy balance for the Panamanian electricity industry for the period from 2018- 2020:

Overview of energy supplied (GWh)

Year	Net Generation	Net International Exchange	Other Generation	Energy Supplied to Grid	Losses		Sales to End Customers
					Transmission	Distribution	
2018	10,783	313		10,385	398	1,266	8,360
2019	11,141	324		10,874	267	765	8,413
2020	10,623	483		10,215	408	599	8,097

International interconnections

Panama has agreements with electricity companies in Costa Rica (Instituto Costarricense de Electricidad), Nicaragua (Empresa Nicaragüense de Electricidad) and Honduras (Empresa Nacional de Energía

Electrica) for the exchange of electricity using the existing 230 kV link between Progreso in Panama and Río Claro in Costa Rica. The following table summarizes import and export activity from 2018 to 2020.

Energy imports and exports (GWh)

Year	Net generation	Imports	% net Generation	Exports	% net Generation
2018	10,783	13.2	0.12%	325.8	3.02%
2019	11,141	92.3	0.83%	415.9	3.73%
2020	10,623	86.0	0.81%	568.7	5.35%

Generators may enter into import and export contracts with counterparts in other countries subject to appropriate disclosure of contract information to the CND and its equivalent in the country concerned.

SIEPAC

The SIEPAC (Central American Electrical Interconnection System), sponsored by the Governments of Panama, Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala and owned by Regional Operations Entity, is an interconnection of the power grids creating a Central American Regional Electricity Market. This is intended to promote the development and growth of the regional electricity industry, encourage greater private sector participation in the sector, improve interconnection between the national grids of the sponsor countries and establish a transparent and non-discriminatory regulatory framework for the operation of the regional market.

A framework treaty, providing for the establishment of a regulatory entity and operating structure for the regional network, was ratified by the participating countries in 1997-1998. It includes the establishment of initially a single circuit 230 kV transmission link on a double circuit structure from Panama (Veladero, Chiriquí) to Guatemala (1,800 kilometers) with 15 substations carrying a peak transfer capability, following reinforcement of the existing national networks, of 300 MW (240 MW from Costa Rica to Panama). It also creates EPR (Network Owner Company), OER (Regional Operating Agency) and CRIE (Regional Electrical Interconnection Commission) for operating, coordinating and ruling the Regional Market. The estimated total cost is US\$494.0 million.

The Interconnection Project between Colombia and Panama. This project will connect both countries so it will also get together the Andean Community and the Central America Regional electricity markets. will be developed and managed by a company owned in equal parts by ISA from Colombia and ETESA from Panama. The approximate distance is 600 kilometers, including more than 50 kilometers of submarine line, and carrying capacity of 300 megawatts of energy in a first stage, with possible extension to 600 MW in a second phase. The project, which will require investments of about US\$ 500.0 million, has the technical and environmental feasibility studies, developed within the framework for action to be set by the environmental authorities of the two countries. These studies were funded by the IDB, through regional technical cooperation grants.

Electric Energy Rationing

The Commercial Rules provide that energy rationing should be simulated on a daily basis during the planning sessions utilizing Stochastic Dual Dynamic Programming (“SDDP”) and NCP models, mid and short term respectively. If emergency rationing occurs as a consequences of resource scarcity, the CND will determine the amount of energy to be rationed according to the characteristics and implications of the emergency. The Commercial Rules provide the methodology for calculating the amount of energy to be withheld in the case of programmed and emergency rationing and set forth the parameters for the distribution of the rationed energy to consumers. While energy rationing is in effect, contracts are no longer treated financially and are considered physical commitments for generators which are required to satisfy their contractual obligations, unless the Commercial Rules then in effect provide otherwise.

Environmental Regulation

In July, 1998, the Panamanian Government enacted Law 41, which created the Ministerio de Ambiente (MiAmbiente). Law 41 also sets out the legal framework for the protection of the environment through the sustainable use of natural resources. MiAmbiente is responsible for implementing Panama's environmental policy with the collaboration of other government entities created by, and which are under the supervision of, MiAmbiente. MiAmbiente has the ability to impose all applicable environmental sanctions and fines.

Moreover, pursuant to Title XIII of the Criminal Code of the Republic of Panama, fines of up to US\$100.0 million may be imposed for promoting, causing, subsidising, or directing any crime against the environment.

Tariff Structure

Under the 1997 Electricity Law, ASEP is required to establish tariff methodologies to regulate connection, use of system charges for distribution services and to approve tariff structures for the sale of energy to regulated customers. In general, the 1997 Electricity Law provides that tariffs should be set sufficiently high to cover the costs of providing the required level of service on the assumption that anticipated productivity gains are shared between energy distributors and their customers.

The 1997 Electricity Law states that distribution charges should be set at a level which, based on estimates at the start of the tariff period, should allow distributors to achieve revenues to cover its recognized costs of distribution or Valued Added Distribution ("VAD"). These are defined as the costs which an efficient distributor operating in that concession area would incur in terms of administration, operation and maintenance (including metering, billing and customer service), standard losses and depreciation plus a reasonable return on investment.

The allowed rate of return before tax for each distribution company is set by the ASEP, taking into account such factors as efficiency levels, quality of service and expected investment requirements. Under the 1997 Electricity Law, this rate of return must be within a 2% range of the average yield on the 30-year U.S. Treasury Bond in the year preceding the setting of the tariff, plus a risk premium of 8%. For purposes of the prevailing tariffs that were established in [September 2018] and that will remain in effect until [June 2022], the rate of return used was [8.94] %. This rate of return is applied to the distributors' net fixed assets in operation during the tariff period based on historic accounting values at the start of the tariff period and the ASEP's estimate of the distributors' efficient investment requirements during the tariff period.

Under the 1997 Electricity Law, for the purpose of determining appropriate levels of efficiency, the ASEP is required to analyse each distributor's concession zone in terms of up to five representative areas according to density, based on the recent performance of actual companies in Panama or elsewhere operating in similar areas. The ASEP determines efficiency parameters by selecting comparable companies for each representative area.

ASEP published its detailed tariff methodology for distribution and commercialization based on research performed by its external consultants on the performance of selected distribution companies in the U.S. This research identified separate companies operating in areas with different levels of consumption density and established target cost and standard loss parameters. These were then used to establish ideal performance parameters for the Panamanian distributors.

Based on these parameters, the Panamanian energy distribution companies perceived cost structure and investment requirements, the ASEP calculated a maximum permitted income in net present value terms as a basis for the distribution and commercialization charges of each distributor. This was then used to calculate each distributor's distribution access and use of system charges and regulated customer tariffs, after incorporating expected costs of generation and transmission, together with an allowance for standard energy losses.

The current tariff structures, which we developed, include a simple low-tension tariff based on kilowatt-hour metering only, limited to customers with estimated demand of 15 kW or below, together with demand-based and time-of-day tariffs for customers with demand metering. Once a customer with demand metering

selects a particular tariff option, it must give 30 days' notice for any intended change and is subject to additional charges if changes more than twice within 12 months after selecting a particular tariff option. The distributors' energy cost is calculated based on the weighted average of its purchase costs under competitively awarded contracts and those of its spot market purchases. The VAD tariff structure remains in force for four years and the current tariff will expire on [June 2022].

Currently, during each semester within the tariff period the capacity and energy cost components of the tariff are adjusted to account for variances in actual and expected energy costs, and only 45% of the distribution and commercial charges are adjusted for inflation based on the Panamanian CPI for the prior two semesters. Since January 1, 2000, customers with low levels of consumption (below 100 kWh) have a discount of 20% in their bills. This discount is charged to customers with consumption above 500 kWh. Approximately 67,000 of our customers received this benefit.

Retirees' first 600 kWh consumption are entitled to a 25% discount. Discounts of 5% and 50% also apply to farmers and the provincial offices of political parties, respectively. The 1997 Electricity Law and the Regulations set limits on the provision of tariff subsidies by the Panamanian Government and require distributors to provide the Panamanian Government with details of those customers meeting the Panamanian Government's eligibility criteria. Retiree discounts were taken into account for the purposes of calculating the maximum income allowances underlying the current distribution use of system tariff.

Under the current tariff structure, all users of the distribution system and all regulated and unregulated customers pay a separate consumption-based charge within the tariff to cover the capital and operational costs of public lighting. The energy costs associated with public lighting are recoverable as part of the overall generation costs passed through to regulated customers under the tariff.

Since January 1, 2003, increases in rates of electricity distribution companies for customers below 300 kWh resulting from the semi-annual rate adjustment process required under the regulatory structure for the electricity industry were not fully passed through to customers in the form of tariff increases. Rather, the rate adjustment process during this period, as approved by the ASEP, resulted in a portion of the allowed rate increases being passed through directly to customers and the remaining amount being paid to the distribution companies in the form of subsidy payments from the Panamanian Government.

In the absence of acceptable credit references distribution companies are entitled to require customers to provide deposits equivalent to the amount of one monthly invoice. These deposits must be returned after one year provided that the customer has established a good payment record. During the term of the deposit they must pay interest every six months at the average rate of commercial fixed term deposits over the previous six months as documented by the Superintendence of Banks. Interest is chargeable at the same rate on customer invoices that remain unpaid 30 days or more after the invoice date.

Distribution companies are required to submit reports to the ASEP on a regular basis concerning outage levels and other aspects of technical service quality and customer service, including metering and public lighting. In addition, they must prepare and submit their financial accounts in accordance with the ASEP's regulatory accounting standards. These involve accounting separation within each company activity such as generation, distribution and commercialization and between regulated and unregulated customers.

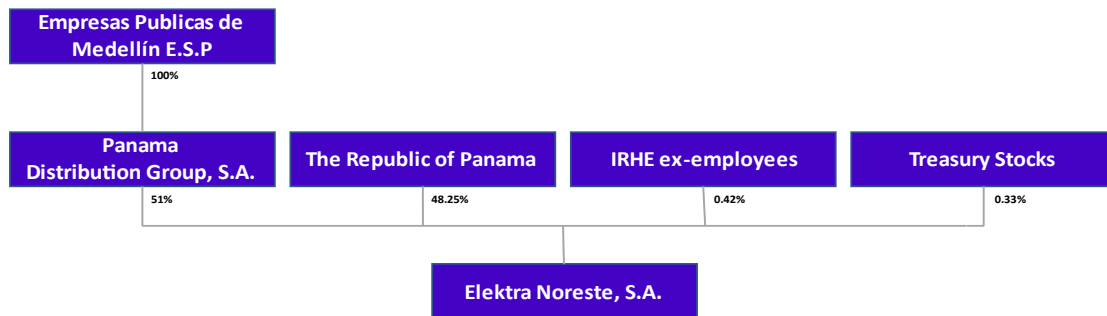
Section 11

Management and corporate governance

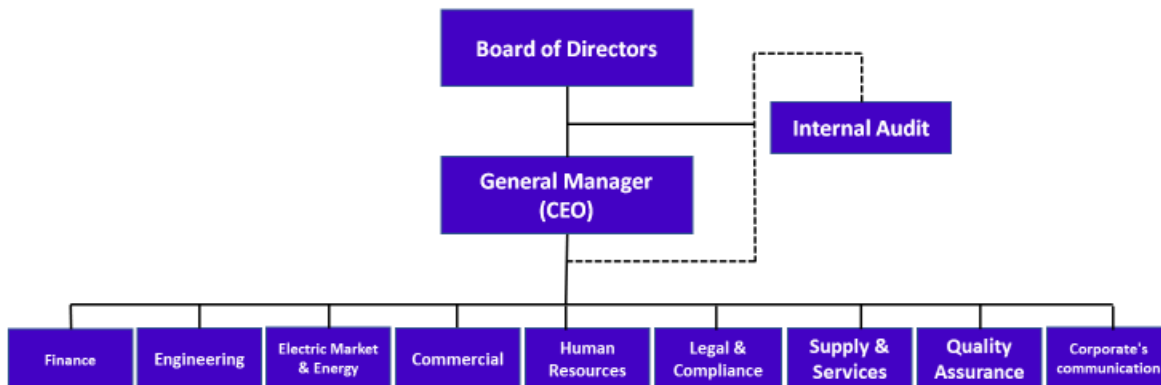
Management

Management organizational chart

ENSA organizational chart



Management team



Source: Company information

Executive management team

The executive management team members supervise and coordinate the activities of the Company in their respective areas of expertise.

Executive management

Name / Title	Age	Position	Citizen	Email	Telephone
Ramiro Esteban Barrientos M	47	Chief Executive Officer	Colombian	ebarrientos@ensa.com.pa	(507) 340-4608
Arie Cartagena H.	31	Vice President of Finance	Costa Rican	acartagena@ensa.com.pa	(507) 340-4680
Sergio A. Hinestrosa G	46	Vice President of Strategy Planning, Regulation and New Business	Colombian	shinestrosa@ensa.com.pa	(507) 340-4604
Marianela Herrera	56	Vice President of Engineering	Panamanian	mherrera@ensa.com.pa	(507) 340-4602
Santiago Díaz	45	Commercial Vice President	Colombian	sadiaz@ensa.com.pa	(507) 340-4630
Gabriela Ortega	55	Vice President of Development and Human Management	Panamanian	gortega@ensa.com.pa	(507) 340-4660

Name / Title	Age	Position	Citizen	Email	Telephone
Juan Tamayo	47	Vice President of Supplies and Services	Colombian	jtamayo@ensa.com.pa	(507) 340-4780
Julissa Robles	45	Legal Support Vice President	Panamanian	jrobles@ensa.com.pa	(507) 340-4688
Carlos Chang	42	Information Systems Manager	Panamanian	cchang@ensa.com.pa	(507) 340-4798
Margarita Aguilar	62	Quality Assurance Manager	Panamanian	maquilar@ensa.com.pa	(507) 340-4654
Luz María Mejía	39	Corporate Communications Manager	Colombian	lmejia@ensa.com.pa	(507) 340-4669
Carlos Andrés Pérez Múnera	46	Internal Audit	Colombian	cperez@ensa.com.pa	(507) 340-4710

Source: Company information

Ramiro Esteban Barrientos Moreno (Chief Executive Officer / General Manager) Mr. Barrientos joined the Company in April 2015 as CEO. Mr. Barrientos is responsible for determining the appropriate strategies and tactics for the Company with respect to the development and execution of its business plan, which covers the Company's corporate goals and its operating and investment budgets. A key role of Mr. Barrientos is to foster the adequate environment for process improvement, controls and technology in order to guarantee efficiencies and profitability. Mr. Barrientos facilitates team integration, advises senior management and evaluates on a regular basis the performance of his direct reports, as well as several other key executives.

Mr. Barrientos is responsible for keeping EPM (ENSA's primary shareholder and operator) and the Board of Directors informed of significant matters, such as changes in laws and regulations that could impact ENSA's concession in the short or long term. He is also responsible for preparing and presenting bi-monthly reports to the Board of Directors. Mr. Barrientos is the Company's representative before civic organizations, governmental authorities, the regulating entity (ASEP) and its banks.

He is a lawyer graduated from the University of Medellín, a specialist in Management from the Ceipa University and has an MBA in Business Administration and Management from EAE Business School in Barcelona, Spain.

In his professional life, he has served as Executive Vice President of Invercolsa, Manager of the Gas Business Unit of EPM, Regional Manager of Cellstar; National Director of Personalized Attention, Sales and Customer Service of Colombia Móvil (Tigo), and National Head of Labor Relations of Postobón, among other important positions. He has also served on the Boards of Directors of Prograsur, Metrogas, Gases de la Guajira, Extrucol, Metrex, Electricadora de Caldas, Electricadora de Quindío, Transoriente, and Aguas de Urabá. Mr. Barrientos is a Colombian citizen and his email address is: ebarrientos@ensa.com.pa.

Arie Cartagena (Vice President of Finance). Mr. Cartagena joined ENSA in June 2016 as Financial Manager leading the treasury, portfolio recovery, collection and budget areas. In February 2020 he was appointed Vice President of Finance and is responsible for the financial, accounting, tax and financial risk management of the Company. He has a degree in Finance with specialization in Corporate Finance from The George Washington University, with a "Master of Business Administration" from the School of Economics and Business of the University of Chile. He has 10 years of experience working in Management positions of multinational companies such as APM Terminals and Maersk Panamá, S.A., and of leading national companies such as Varela Hermanos, S.A. within which he has developed a solid experience in the areas of controlling, financial operations, planning and financial management. Mr. Cartagena is a Costa Rican citizen and his email address is: acartagena@ensa.com.pa.

Sergio A. Hinestrosa (Vice President of Strategic Planning, Regulation and New Business). Mr. Hinestrosa joined ENSA in August 2017 as Vice President of Finance. In February 2020 he was appointed Vice President of Strategic Planning, Regulation and New Businesses and is responsible for leading the formation, verification and adjustment of the organization's Strategy and Business Plan, as well as regulatory management, in order to guarantee the sustainability of the Company, including the administration of contracts in the wholesale energy market and the setting of rates. He is a Production Engineer from EAFIT University, with a "Master of Business Administration" from ITESM and a Master's Degree in Information Management from Syracuse University, in New York. Before joining ENSA, Mr.

Hinestrosa served as Chairman of the Auditing Board for the Del Istmo Company of Reinsurance, S.A., a reinsurance Company intervened by the Superintendency of Insurance and Reinsurance of Panama. Previously, Mr. Hinestrosa held multiple positions in subsidiaries of Suramericana, namely: Financial and Administrative Vice President (SURA Insurance Panama), Manager of Health Services (IPS SURA Colombia), Manager of the Corporate Projects Office (SURA Colombia) and Manager of Organizational Development (SURA Insurance Colombia) Mr. Hinestrosa is a Colombian citizen and his email is: shinestrosa@ensa.com.pa.

Marianela Herrera (Vice President of Engineering). Ms. Herrera has served as Vice President of Engineering since September 2018 and focused his responsibilities in the planning and execution of the Company's expansion plan, the maintenance and public safety of the energy distribution grid, and the execution of major capital expenditure projects related to substations and high voltage equipment. She has been involved in the energy sector for more than 30 years, working for the Institute of Hydraulic Resources and Electrification (IRHE), since 1991 which as of the privatization of the energy sector became Elektra Noreste, S.A. (ENSA), managing various technical and commercial areas of the Company. In 2010 she joined Empresa de Transmisión Eléctricas, S.A. (ETESA) as Deputy General Manager; and since 2014 she returned to Elektra Noreste, S.A. - ENSA as Regulation and Markets Manager until her appointment in her current position. She is a member of the IEEE, SPIA (Society of Engineers and Architects) and Chairman of the Board of Directors of CECACIER from 2021-2022. Ms. Herrera is an Electromechanical Engineer from the Technological University of Panama, with a postgraduate degree in Management Development from Santa María La Antigua University and holds various diplomas and seminars related to the energy sector and administration. She is a Panamanian citizen and her email is: mherrera@ensa.com.pa.

Santiago Díaz (Commercial Vice President). Mr. Díaz was appointed Commercial Vice President in October 2018. He is in charge of client commercial cycling which includes the process of contracting with the client and distributor, the installation, reading and billing; technical service, to face-to-face and online customer service, including the call center and attention by digital channels (Web, Mobile, Social Networks). He previously held various positions within EPM (Colombia) as Head of Marketing, Head of Sales and Power Transmission, Head of Gas Sales and finally as Manager of Commercial Offers, a position that he held prior to his appointment as commercial Vice President. He was also a main member of 3 Boards of Directors of several of the Water Business Subsidiaries of EPM in Colombia between 2016 and 2018. Mr. Díaz obtained his Bachelor's Degree in Business Administration, Postgraduate Degree in Market and Master's Degree in Business Administration, all of them at the EAFIT University. Likewise, he completed a Senior Management Program at ICESI University. He is a Colombian citizen and his email address is: sdiaz@ensa.com.pa.

Juan Tamayo (Vice President of Supplies and Services). Mr. Tamayo holds the position of Vice President of Supplies and Services at ENSA since November 2015. He is a Production Engineer graduated from EAFIT University with a "Master of Business Administration", a Specialist in Business Logistics from the University of Medellín and is a Black Belt certified in Six Sigma. Previously, Mr. Tamayo has served as Regional Purchasing Manager of Grupo Orbis, and held various positions for Pintuco S.A. and subsidiaries including Purchasing Manager, Six Sigma Project Leader, Distribution and Transportation Manager, Supply Chain Manager (Ecuador), Logistics Manager and Industrial Channel Logistics Coordinator. Mr. Tamayo is a Colombian citizen and his email address is: jtamayo@ensa.com.pa.

Julissa Robles Fuentes (Legal Support Vice President and Compliance Officer). Ms. Robles has over 11 years of experience in regulatory matters within the Electric Power and Telecommunications sector. In 2018 she joined the Company as Legal Support Vice President. She is responsible for coordinating all legal and contractual matters, and advises the Company on regulatory and compliance affairs. In her professional career, Ms. Robles worked in the International Insurance Company, in the Legal Directorate of the National Bank of Panama, in the National Authority of Public Services, reaching the position of Director of the Legal Advisory Office of the institution, and as Regulations Manager in Cable & Wireless Panama, S.A. She graduated from Santa María La Antigua University (USMA), with a bachelor's degree in

Law and Political Science, she also holds a master's degree in Commercial Law from the same institution. Ms. Robles is a Panamanian, reachable by email address: jrobles@ensa.com.pa.

Carlos Chang (Information Technology Senior Manager). Mr. Chang has been the IT manager since July 2011, being responsible for the planning and execution of the necessary changes in the several technological systems utilized by the Company, and oversees that all necessary resources are supplied on a timely basis for the system to operate with no downtime. Mr. Chang joined ENSA in 2002 as a Junior Information Manager in the SCADA segment of the Engineering Department, where the energy distribution grid is operated remotely by a system composed of a complex set of protocols. In 2007 he was appointed head of that unit. Mr. Chang was a professor of networking and communications at the University of Panama during 2009, 2010, and 2011. Mr. Chang holds a BS degree in Electronic Engineering and Communications from the University of Panama. He has a Master in e-Business from the University of Cantabria in Spain, and a Master's in Development Management from University Santa María la Antigua. Mr. Chang is a Panamanian citizen and his email address is: cchang@ensa.com.pa.

Margarita Aguilar (Quality Assurance Manager). Ms. Aguilar has been responsible for the Quality Assurance Unit since June 2000 and has been instrumental in strengthening ENSA's overall processes and internal control environment. Her unit provides strong and consistent support to the Improvement Processes and I.T. Security departments, which are responsible for the implementation of operational improvements and process redesigns. The Quality Assurance Unit also participates in risk assessment and testing of internal controls on financial reports. Prior to June 2000, Mrs. Aguilar worked for the Interocean Region Authority (a former government agency responsible for the administration of properties previously under use by the US armed forces) as Organization and Information Systems Director. Ms. Aguilar also worked for 13 years in IRHE in the following departments: Human Resources, Planning, I.T., as well as Administration and Development. She also served as a professor at the Technological University of Panama, teaching in the Industrial Engineering and Information Systems Fields. Ms. Aguilar has a B.S. in Industrial Engineering with a major in Production from the Technological University of Panama and an MBA in Organizational Communications from University Santa María La Antigua. She is a member of the National Institute of Internal Auditors. Ms. Aguilar is a Panamanian citizen and her email address is: maguilar@ensa.com.pa.

Gabriela Ortega (Vice President of Development and Human Management). Ms. Ortega joined ENSA as Vice President of D&HM in August 2017. Ms. Ortega is a lawyer and financier by profession. Before joining ENSA, she served as Regional Human Resources Manager for the Andean Region at Sony Corporation of Panama, SA, Human Resources Director for Bellsouth Panama, Senior Human Resources Manager for Coca Cola FEMSA's commercial and manufacturing operations in Panama, Director of Human Resources for Philips in Latin America, and Director of Human Resources for Grunenthal Central America and the Caribbean. Ms. Ortega is a Panamanian citizen and her email address is: gortega@ensa.com.pa.

Carlos Andrés Pérez Múnera (Internal Audit). Mr. Pérez has been leading the Internal Audit Department at ENSA since February 2015. Previously, Mr. Pérez served as Director of Internal Audits of EMVARIAS S.A. - EPM, member of the Medellín Mayor's Office team in the following positions: Secretary of Evaluation and Control (Internal Audits), Modernization Manager, Secretary of Social Development, Undersecretary of Transit, and Undersecretary of Government. He served as Legal Advisor to the Antioquia Sectional Management of the Social Security Institute, Judge (e) 33 Municipal Criminal Court of Medellín, Assistant Magistrate of the Criminal Chamber of the Superior Court of Medellín and of the Decongestion Chamber of the Contentious Administrative Court of Antioquia, and as an undergraduate professor at the University of Antioquia (U. of A.), Pontificia Bolivariana University (PBU), EAFIT, San Buenaventura, and postgraduate at the Universities: Pontificia Bolivariana and Medellín. He graduated as a lawyer from the PBU, holds a Master in Political Science and a Specialist in Constitutional Law from the University of Antioquia, as well as a Specialist in Administrative Law [degree] from the University of Colombia. Mr. Pérez is a Colombian citizen and his email address is: cperez@ensa.com.pa.

Luz María Mejía (Communications and Corporate Relations Manager). Ms. Mejía joined ENSA in September 2019 and is in charge of structuring and executing the Communication Strategy, Reputation Management, Image and Identity and Business Responsibility, management of teams, suppliers and

relations with opinion leaders, government authorities, and unions. She served as Account Manager at Llorente & Cuenca Panama and has been an advisor at the Ministry of Agriculture and Rural Development of Colombia. Ms. Mejía is a Political Scientist, has a Diploma in Project Management, a Specialization in Negotiation and International Relations from the University of Los Andes in Colombia, Specialization in Corporate Identity from Aden Business School, and is currently pursuing a Master's Degree in Corporate Communication Management from ODS Business School - University of Barcelona. Ms. Mejía is Colombian and her email address is: lmejia@ensa.com.pa.

Corporate governance

Under ENSA's Articles of Incorporation, so long as it retains at least a 25% shareholding, the Republic of Panama has the right to (i) appoint two of the five board members and (ii) veto amendments to the Articles of Incorporation and by-laws, any merger, proposed merger, or dissolution, a change of domicile, the granting of security over the concession or any decision to engage in activities not strictly connected to the distribution or sale of electricity.

Board of Directors

The Board of Directors is composed of five members. There are three representing the interests of the controlling shareholder, [PDG], or 51% of the shares and two members representing the Panamanian Government, or 48.25% of the shares. The main function of the Board of Directors is to follow-up on ENSA's business performance, approve management's objectives and strategies driven to achieve goals, the Company business plan, major projects and investments, sources of long-term financing and short-term funding. The Board is also involved in following up with respect to customer service matters, internal controls and regulatory performance. Executives from ENSA, EPM and the Panamanian Government are generally invited to participate in these meetings.

Audit Committee

The Audit Committee is composed of three members. There are two members representing the interests of the controlling shareholder, [PDG], or 51% of the shares and one member representing the Panamanian Government, or 48.25% of the shares. The Audit Committee directly reports to the Board of Directors. The main functions of this committee are to follow-up on internal control matters managed by the ENSA Audit Department in conjunction with the EPM Internal Control Department; follow-up on compliance of policies, procedures; changes on accounting policies and practices; compliance assurance in regulatory matters; and monitor the anticorruption and fraud program. Executives from ENSA, EPM, External Accountants and the Panamanian Government are generally invited to participate in these meetings.

Executive Committee

The Executive Committee is composed of the following positions: the Chief Executive Officer & General Manager, Vice President of Finance, Vice President of Strategic Planning, Regulation and New Business, Vice President of Engineering, Commercial Vice President, Vice President of Supplies and Service, the Legal Support Vice President and Compliance Officer, the Quality Assurance Manager, the IT Manager and Vice President of Development and Human Management, [Vice President] Internal Audit and Communications, and Corporate Relations Manager. The main function of this committee is to comply with mandates from the Board of Director, achieve the goals and objective set in the business plan, comply with regulatory obligations and industry best practices, and to foster open participation and communication within the operating and back-office units.

Environmental, Safety & Health Committee

The Environmental & Security Committee is composed of all Operating and Administrative areas. The purpose of this committee is to comply with environmental matters and associated regulatory requirements. The committee is also tasked to ensure, promote and follow-up regarding safety matters in order to preserve a safe work environment with respect to in-house employees and third party contractors.

Purchasing & Contracting Committee

The Purchasing & Contracting Committee is composed of the executives in charge of the following areas: a) Finance, b) Supplies and Service, c) the Legal Support and Compliance Officer and d) Internal Audit. The committee's main function is to analyse the contracting and purchasing proposals before goods are purchased or services are hired. The committee reviews these special projects and purchases that are

above the amount of US\$200,000. The recommendations of the committee are prepared with the objective of assisting the General Manager in the approval process. .

Compensation for members of the Board of Directors

In 2020, each independent director received fixed fees of US\$2,000.00 for each Board of Directors meeting he attended, plus a fixed reimbursement of US\$105.00 for related expenses incurred (lodging expenses, airfare and food). Directors of the Audit Committee have the same fixed fee of US\$2,000 for each meeting they participate in.

Compensation for the Executive Officers

The consolidated compensation paid to the executive officers was US\$2.7 million in 2020. This compensation consists of a base salary of US\$1.9 million and an annual bonus for results and merits of US\$0.8 million. The annual bonus plan considers the performance of the Company, through the comparison with the established goals and the consolidated financial execution and individual performance.

Board composition

ENSA's Board of Directors consists of five members: two elected by the Panamanian Government and three elected by [PDG]. If a vacancy occurs, a new director is elected, thereby preserving representation of each constituent shareholder. As of [March 31, 2021], the directors, officers and executives listed below held the positions indicated opposite their names as of the date of this offering memorandum. The Company's executive officers are appointed by the Board of Directors and hold office at the discretion of the Board of Directors.

ENSA'S Board of Directors

Name	Age	Date of birth	Elected or appointed by	Member of Board since	Citizen	Email	Telephone
Daniel Arango Ángel	44	Jan 10, 1977	Chairman, Director	June, 2020	Colombian	daniel.arango.angel@epm.com.co	(574) 340-4700
Inés Helena Vélez	58	Dec 22, 1962	Director	February, 2016	Colombian	Ines.Velez@epm.com.co	(574) 340-4700
Diego Humberto Montoya Mesa	39	Jan 27, 1982	Director	April, 2021	Colombian	dihumome@hotmail.com	(574) 340-4700
Federico Alfaro Boyd	38	Sep 22, 1982	Director	October, 2019	Panamanian	falfaro@mire.gob.pa	(507) 205-7000
Julio Javier Caballero D.	30	May 23, 1991	Director	October, 2019	Panamanian	icaballero@presidencia.gob.pa	(507) 507-9400
Carlos Cordero	72	Jan 24, 1949	Secretary	October, 1998	Panamanian	ccordero@alcoqal.com	(507) 269-2620

Source: Company information

Daniel Arango Ángel (Chairman and Director). Mr. Arango is a business administrator, holds an MBA from EAFIT University, a specialization in Business Administration from the same university and is a graduate of the Inalde Senior Executive Management Program and the Transformative Business Leadership Program (TBL) of the Center for Leadership and Management. He served as Vice Minister of Business Development of the Republic of Colombia between 2015 and 2018 and has been acting minister on multiple occasions. He has been Chairman of the Board of Directors of Bancoldex, the National Guarantee Fund, Innpulsa Colombia, Artesanías de Colombia and the Intersectoral Commission of free trade zones, among others. He has also been a member of the National Board of Directors of SENA, the Permanent Commission of Salary and Labor Policy Agreement, the Committee on Customs and Tariff Affairs, the Superior Council of the Technological University of Pereira and the Board of Directors of Fogacoop. He was a member of the EPM joint commission, and has also served as a postgraduate professor in the Chair of International Trade and Competitiveness. He is in charge of the vice presidencies of Generation at EPM, Energy Transmission and Distribution, Water and Sanitation, Commercial and Gas as well as the Regulatory Managements, Urabá, and the Directorate of Markets. Mr. Arango is a Colombian citizen and his email address is: daniel.arango.angel@epm.com.co.

Inés Helena Vélez (Director). Ms. Vélez works as Vice President of Energy Transmission and Distribution at EPM. She previously acted as Director of the Integrated Commercial Project in the EPM Sin Fronteras Program. She has held positions in the commercial and marketing areas of the businesses, including the Deputy Management of Large Customers, the Deputy Management of Corporate and Business Clients, the Commercial Deputy Management of Transmission and Distribution and the Gas Management during her 25 years of work at EPM. Ms. Vélez received a degree of Business Administration from EAFIT with specializations in Information Systems from the same university and in International Business from the Universidad Pontificia Bolivariana. Ms. Vélez is a Colombian citizen and her email address is: Ines.Velez@epm.com.co.

Diego Humberto Montoya Mesa Mr. Montoya works as the Director of Energy Transmission and Distribution Planning at EPM. He is a graduate of the Pontifical Bolivarian University in Colombia as an Electrical Engineer with a specialization in Transmission and Distribution of Energy and a subsequent Master in Administration. In 2003, he began his professional career and has 18 years of experience in management and leadership of resources, processes, and projects that have generated value in organizations through infrastructure, financial, operational, and strategic decision-making. Additionally, he has been a member of Management of Boards of Directors, Strategic Analysis, Planning and Innovation in affiliated companies of EPM. Mr. Montoya is a Colombian citizen and his email address is dihumome@hotmail.com.

Federico Alfaro Boyd (Director). Mr. Alfaro is Chairman of the Board of Directors of the Tocumt International Airport S.A. (AITSA) since 2020, he is also a member of the Board of Directors of Petroterminal de Panama S.A., ENSA (Elektra Noreste SA), ENEL Fortuna S.A since 2019 and is also Director of the Omar Torrijos Foundation. He held the position of Vice-Chancellor of the Republic of Panama between 2019 and 2020, has been a member of the ARIFA legal team since 2007, became a partner of the firm in 2017 and is part of its Executive Committee. He acted as an advisor to the Chamber of Commerce, Industries and Agriculture of the Republic of Panama. Mr. Alfaro graduated from The George Washington University with a degree in Political Science and Political Communication, and subsequently graduated with a Juris Doctorate degree from Loyola University. He is a Panamanian citizen and his email address is: falfaro@mire.gob.pa.

Julio Caballero (Director). Mr. Caballero serves as the National Project Coordinator at the Rural Electrification Office since July 2019. He has previously served as Electromechanical Engineer at Proyectos Mar Azul, S.A. and Electromechanical Inspector at London & Regional Panamá, among others. Mr. Caballero is an Electromechanical Engineer from the Technological University of Panama and has a "Master of Engineering in Engineering Management" from the University of Louisville. He is a Panamanian citizen and his email address is: jcaballero@presidencia.gob.pa.

Carlos C. Cordero (Secretary). Mr. Cordero is a founding partner of Alemán, Cordero, Galindo & Lee, our local Panamanian counsel, where he has been an acting member since 1985. His professional practice is concentrated on corporate law, commercial law, telecommunications, banking and administrative law. Mr. Cordero has advised domestic and international companies on a broad array of legal and commercial matters. Mr. Cordero currently serves as Secretary of the Board of Directors and has served in this capacity since October 1998. Mr. Cordero has served on Special Missions for the Defense of the International Services from 1999 to 2012; as vice minister of Foreign Affairs from 1993 to 1994; and on the National Council of Foreign Affairs in the periods from 1993 to 1994 and from 1999 to 2004. Mr. Cordero has been a member of the Board of Directors of Cable & Wireless Panamá, S.A., Alcogal International Management, Inc., Alemán, Cordero, Galindo & Lee Trust (BVI) Limited, Alemán, Cordero, Galindo & Lee (Belice) Limited, Parkdale Investment Inc., Meridional Properties, S.A., and Lansburg International, S.A.

Mr. Cordero has a Bachelor of Law and Political Sciences from the University of Panama. Mr. Cordero has been recognized as a Senior Statesman in the areas of banking and finance, corporate and M&A, and projects by the prestigious publication Chambers and Partners. He has also been recognized as a leading lawyer in the areas of corporate M&A and corporate governance by Who's Who Legal. He is a Panamanian citizen and his email address is: ccordero@alcogal.com.

Section 12

Principal shareholders

Principal shareholders

At [March 31, 2021], ENSA's authorized share capital consisted of [50,000,000] shares of common stock, without par value, having one vote per share.

The following table sets forth ENSA's shareholders, the respective number of shares owned by them and their percentage shareholdings as of [March 31 ,2021].

ENSA shareholders

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Common Stock	Panama Distribution Group	25,500,000	51.00%
Common Stock	The Republic of Panama	24,127,549	48.25%
Common Stock	IRHE ex-employees	207,505	00.42%
Common Stock	Treasury stock(a)	164,946	00.33%

(a) Shares held in treasury are shares that were initially purchased by ENSA employees, and subsequently repurchased by ENSA. The Company has no present intention to cancel or reissue these treasury shares.

Source: Company information

Under the Company's Articles of Incorporation (Pacto Social), [PDG], as the majority shareholder, may not sell part of its shares while the Concession Contract remains in force and has no preferential rights of acquisition in relation to the Panamanian Government's remaining shares. PDG has the pre-emptive right to purchase its pro rata share of any newly issued shares.

The Company's majority shareholder, [PDG], is owned by Empresas Públicas de Medellín ESP (EPM), rated Baa3/BBB- by Moody's and Fitch, respectively.

Section 13

Related party transactions

Related parties, ties and affiliations

B.G. Investment Co., Inc., a subsidiary of Banco General, S.A. ("Banco General"), is a shareholder of Latinex Holdings, Inc. ("Latinex"), the indirect parent Company of the Bolsa Latinoamericana de Valores, S.A. ("Latin American Exchange") and LatinClear. Arturo Gerbaud, director and president of Latinex Holdings, Inc. ("Latinex"), the Bolsa Latinoamericana de Valore, S.A. ("Latin American Exchange") and LatinClear., and Carlos G. Cordero G. serves as the Company's corporate Secretary, are partners of the law firm Alemán, Cordero, Galindo & Lee, local Panamanian counsel to the Company.

ENSA's independent auditor and legal advisor are not shareholders of, and are not and have never been employees of, ENSA or any of the participants of this offering.

Concession Contract

ENSA's distribution concession is governed by the Concession Contract dated September 12, 2013, between the Company and ASEP, as amended by time to time.

Energy sales and purchases

As a result of the restructuring of the electricity sector in Panama, one transmission company, three distribution companies and four generation companies were created. The Panamanian Government retained approximately 51% of the share capital of the hydroelectric generation companies, 49% of the share capital of the thermoelectric generation companies and distribution companies, and 100% of the share capital of the transmission company.

In the normal course of business, the Company purchases electricity from the generation companies, sells energy to government institutions, and makes payments to the transmission company. These transactions are made under the terms and conditions of the power purchase agreements and agreed transmission fees, and are reported as related party transactions in the notes to the financial statements.

A summary of the balances and transactions resulting from the purchase and sale of energy with related parties is provided below:

Related party energy sales and purchases

	2020	2019
Balance		
Accounts receivable	14,960,123.11	16,111,750.75
Accounts payable	23,694,592.00	34,883,921.00
Transactions		
Revenues	75,293,611.62	100,457,800.00
Purchase of energy	175,775,923.00	224,018,816.00
Transmission costs	43,318,154.00	58,043,248.00

Source: Company information

Administrative and Technology Services

ENSA and its subsidiary have entered into certain Commercial Services Agreements (each, a "Transaction Act") with the parties listed below. Such Commercial Services Agreements are agreements outside the normal course of business of purchase and sale of energy, however, they do not conflict with the good practices and rules of corporate governance set for the EPM group. These Transaction Acts are also considered a source of income (better known as non-regulated income) for ENSA:

Transaction Act between ENSA, Panama Distribution Group, S.A. and EPM LATAM, S.A.

ENSA, Panama Distribution Group, S.A. ("PDG") and EPM LATAM, S.A. ("EPM LATAM") entered into an agreement for the provision of accounting and tax services for the benefit of PDG and EPM LATAM, independently considered. The agreement includes the processing of all accounting information and

periodic issuance of financial statements and other reports required by the EPM group in accordance with the conditions defined by the EPM group and by IFRS (International Financial Reporting Standards).

Transaction Act between ENSA and Hidroecológica del Teribe, S.A.

ENSA and Hidroecológica del Teribe, S.A. ("HET") entered into an agreement for the provision to HET of computer services, legal advice, administrative services for the management of employee payroll, management of purchases of goods and services and the lease of office space at ENSA's corporate building. The agreement also includes the business management and legal representation of HET pursuant to which ENSA will manage and control HET.

Transaction Act between ENSA Servicios, S.A. and Distribuidora de Electricidad del Sur, Sociedad Anónima de Capital Variable

ENSA Servicios, S.A. ("ENSA Servicios") and Distribuidora de Electricidad del Sur, Sociedad Anónima de Capital Variable ("DELSUR") entered into an agreement for the provision by ENSA Servicios to DELSUR of services related to the functional, technical support and maintenance of the SAP commercial system and related training, documentation, advice and support.

Transaction Act between ENSA Servicios and Tecnología Intercontinental, SAPI de CV

ENSA Servicios and Tecnología Intercontinental, SAPI de CV ("TICSA") entered into an agreement for the provision of ManageEngine Service Desk Plus (SDP) consulting services for the implementation and support of the application.

A summary of the balances and transactions resulting from administrative and technology services with related parties is provided below:

Related party administrative and technology services

	2020	2019
Balance		
Accounts receivable	93,454.00	93,106.00
Accounts payable	0.00	0.00
Transactions		
Revenues	648,991.00	609,549.00
Costs	0.00	0.00

Source: Company information

Section 14

Description of other indebtedness

Other indebtedness

Long-term notes payable

Long-term notes payable		
(\$ in millions)	2020	2019
Long-term notes payable		
Senior notes due 2021	100,000,000	100,000,000
Senior notes due 2027	80,000,000	80,000,000
Commercial Loan due 2023	100,000,000	100,000,000
Minus: senior notes and commercial discount	(1,057,200)	(1,546,182)
Total long-term debt	278,942,800	278,453,818

Source: Company information

ENSA has notes payable under a senior debt agreement ("Senior Notes") totalling US\$180,000,000, which is recorded at US\$179,006,554, net of US\$993,446 unamortized discount as of March 31, 2021. The Senior Notes due 2021 have a fixed interest rate of 7.6%, payable semi-annually, and mature in July 2021 and the Senior Notes due 2027 have a fixed interest rate of 4.73% payable semi-annually, and mature in December 2027. Principal payment is due upon maturity. The Senior Notes maintain a senior credit position and are unsecured. ENSA may redeem the Senior Notes in whole or in part at any time prior to their maturity thereof upon complying with certain conditions including payment of a specified make-whole premium. The obligations include among other provisions a limitation on the incurrence of indebtedness triggered when the Company's indebtedness exceeds [4.00] times its EBITDA.

On October 2nd, 2018, the Group entered into a loan agreement with The Bank of Nova Scotia of US\$100,000,000. The loan has a fixed interest rate of 4.25%, payable monthly. Principal is due upon maturity in 2023. The commercial loan rank *pari passu* with all the other unsecured and unsubordinated obligations.

Short-Term Credit Facilities

Short-term credit facilities		
(US\$)	2020	2019
Banco General	25,000,000	25,000,000
The Bank of Nova Scotia	75,000,000	75,000,000
BANISTMO	7,384,000	7,384,000
BLADDEX	50,000,000	42,500,000
Citibank	50,000,000	70,000,000
BAC Panamá	40,000,000	40,000,000
Banco Davivienda Panamá, S. A.	35,000,000	35,000,000
BANESCO	50,000,000	0
Caja de Ahorros	20,000,000	0
Total commitments	\$352,384,000	\$294,884,000

Source: Company information

The Company has bilateral 1-year unsecured revolving credit facilities in place with total of \$352.3 million. ENSA uses its credit facilities to finance its working capital requirements, including the purchase of power supply in the spot market.

Section 15

Description of the Notes

Description of the Notes

The following summary describes the material provisions of the Notes and the Indenture under which the Notes will be issued. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture and the Notes. In this summary, all references to “the Company” refer to Elektra Noreste, S.A., except as otherwise provided. Certain capitalized terms used in the following summary are defined below in “— Certain Definitions.” Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

General

The Company will issue US\$[] senior unsecured Notes due [] under an Indenture to be dated as of [], 2021 (the “Indenture”) between the Company and The Bank of New York Mellon, as Trustee (the “Trustee”), Registrar, Paying Agent and Transfer Agent.

The Notes will have the following basic terms:

- The Notes will be in an aggregate principal amount of up to US\$[]. The principal amount of the Notes will be payable in full upon maturity unless the Notes are redeemed earlier pursuant to the terms of the Indenture.
- The Notes will bear interest from the Closing Date at the rate of []% per annum (such rate, the “Note Rate”) until [] (the “Maturity Date”) (unless earlier redeemed or repaid) payable semi-annually in arrears on each [] and [] commencing on []. All interest shall be paid by the Company to the Trustee and distributed by the Trustee to the Person in whose name a Note is registered at the close of business, New York City time, on the preceding Record Date (being the tenth calendar day preceding each such Interest Payment Date) whether or not a Business Day. Interest on the Notes will be computed on the basis of a 360 day year of twelve 30 day months. Default interest will accrue at a rate equal to the greater of (i) 1.0% per annum above the Note Rate or (ii) the Prime Rate (the “Default Rate”), from the date when such amounts were due (without giving effect to any applicable grace period therefor), and through but excluding the date of payment by the Company.

Ranking

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.

Listing

The Notes are listed on the Latin American Exchange (Bolsa Latinoamericana de Valores, S.A.). The Company will not list the Notes on any other exchange outside of Panama.

Further Issuances

The Indenture by its terms does not limit the aggregate principal amount of Notes that may be authenticated and delivered thereunder and permits the issuance, from time to time, of Additional Notes of the same series as is being offered hereby; provided, however, that: (i) no Default or Event of Default under the Indenture shall have occurred and then be continuing or shall occur as a result of such additional issuance (ii) such Additional Notes rank pari passu and have equivalent terms and benefits as the Notes offered in this Offering Memorandum and (iii) the then current rating on the Notes is reconfirmed in writing by the applicable Rating Agencies after giving effect to such additional issuance of Notes. Any Additional Notes will be part of the same series as the Notes that the Company is offering hereby and Holders of such Additional Notes will vote on all matters relating to the Notes as a single class with the Holders offered hereby.

Payments of Principal and Interest

Payment of the principal of the Notes at maturity, together with accrued and unpaid interest thereon at the Note Rate, or payment upon redemption prior to maturity, will be made only:

- With respect to payments of interest, to the Person in whose name the Note is registered as of the close of business, New York City time, on the Record Date.
- With respect to the payment of principal, to Holders of the Notes at the time of payment thereof.
- Payments of principal and interest shall be made by depositing immediately available funds in U.S. dollars with the Trustee.
- Payment of principal of and interest on the Notes shall be made at the Place of Payment or if such place is not in the City of New York, at either such office or the office to be maintained in such city.

The Notes will initially be represented by one or more Notes as described below under “— Global Notes.” Payments of principal and interest on the Global Notes will be made to DTC or its nominee, as the case may be, as registered Holder thereof.

If any date for a payment of principal or interest or redemption is not a Business Day in the city in which the relevant Paying Agent is located, the Company will make the payment on the next Business Day in the respective city. No interest on the Notes will accrue as a result of such delay in payment.

The Company has appointed the Trustee as Paying Agent to receive payment of the principal amount of and interest on the Notes. The Company will be required to deposit with the Trustee a sum in U.S. dollars sufficient to pay such principal and interest and other amounts on the Notes to the Paying Agent by 1:00 p.m. (New York City time) on the Business Day prior to the applicable Payment Date and otherwise in accordance with the terms of the Indenture.

Payments in respect of the Notes will be made in the coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

Subject to Applicable Law, the Trustee and any Paying Agent will pay to the Company upon written request any monies held by them for the payment of principal or interest on the Notes that remains unclaimed for two years. Thereafter, Holders entitled to these monies must seek payment from the Company.

Payment of Additional Amounts

Except as provided below, the Company will make all payments of principal, redemption amount, and interest on the Notes without withholding or deducting any present or future taxes, duties, assessments or other governmental charges (including any interest or penalties with respect thereto) of any nature imposed by Panama or any political subdivision or Governmental Authority of the Republic of Panama and any jurisdiction through which payments are made by a Paying Agent (each a “Taxing Jurisdiction”). If the Company is required by Applicable Law to withhold or deduct any such taxes, duties, assessments or other governmental charges, except as provided below, the Company will pay the Holders any Additional Amounts necessary to ensure that they receive the same net amount as they would have received had no such withholding or deduction been required (“Additional Amounts”).

The Company will not, however, pay any Additional Amounts in connection with any tax, duty, assessment or other governmental charge solely to the extent that such tax, duty, assessment or other governmental charge is imposed due to any of the following:

- (i) the Holder or beneficial owner has some connection (present or former) with the Taxing Jurisdiction other than merely holding (or owning) the Notes, receiving principal or interest payments on the Notes or enforcing rights under the Notes (such as, without limitation, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a
-

place of business or a place of management present or deemed present within a Taxing Jurisdiction);

- (ii) the Holder or beneficial owner fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the Taxing Jurisdiction, if (x) such compliance is required by Applicable Law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the tax, duty, assessment or other governmental charge, (y) at least 60 calendar days prior to the relevant payment date with respect to which such requirements under the Applicable Law, regulation, administrative practice or treaty shall apply, the Company has notified all Holders that they will be required to comply with such requirements (except that such 60 calendar day period shall be shortened to 30 calendar days where there is a change in a relevant certification, identification or other reporting requirement within the 60 calendar days prior to such relevant payment date), and (z) the completion of such forms is not materially onerous and does not require the disclosure of material confidential information;
- (iii) the Holder fails to present (where presentation is required) its Note within 30 calendar days after the Company has made available to the Holder a payment of principal or interest; provided, however, that the Company will pay Additional Amounts which such Holder would have been entitled to had the Note owned by such Holder been presented on any day (including the last day) within such 30 day period;
- (iv) any estate, inheritance, gift sale, use, stamp, transfer, excise, personal property or any similar taxes, assessments or other governmental charges.
- (v) any taxes that are payable otherwise than by deduction or withholding from payments on or in respect of the applicable Note; or
- (vii) any combination of the taxes and/or withholdings or deductions described in (i) through (v) above.

The Company will also (i) make such withholding or deduction and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with Applicable Law. The Company will furnish to the Trustee, within 30 Business Days after the date of payment of any such taxes, certified copies of tax receipts or, if such receipts are not obtainable, documentation satisfactory to the Trustee evidencing such payment by the Company. Upon written request of the Holders to the Trustee, copies of such receipts or other documentation, as the case may be, will be made available to the Holders. At least 10 Business Days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company has actual knowledge that it is then obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officer's Certificate stating that Additional Amounts will be payable, the amounts so payable and setting forth such other information as the Trustee may reasonably require for tax purposes.

To give effect to the foregoing, the Company will, upon the written request of any Holder, indemnify, hold harmless and reimburse such Holder for the amount of any taxes, duties, assessments or other governmental charges of any nature imposed by any Taxing Jurisdiction (other than any such taxes, duties, assessments or other governmental charges for which the Holder would not have been entitled to receive Additional Amounts pursuant to any of the conditions described in the second paragraph of this section titled "Payment of Additional Amounts") so imposed on, and paid by, such Holder as a result of such payment of principal or interest on the Notes, so that the net amount received by such Holder after such reimbursement would not be less than the net amount the Holder would have received if such taxes, duties, assessments or other governmental charges had not been imposed or levied and so paid. Holders will be obligated to provide reasonable documentation and to cooperate with the Company in connection with the foregoing.

The Company will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in a Taxing Jurisdiction in connection with the Notes and will indemnify the Holders for any such taxes paid by Holders. All references to principal, interest, or other amounts payable on the Notes shall be deemed to

include any Additional Amounts payable by the Company under the Notes or the Indenture in respect thereof as and to the extent described above. The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the Indenture.

If the Company shall at any time be required to pay Additional Amounts to Holders pursuant to the terms of the Notes and the Indenture, the Company will use its reasonable endeavors to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the tax, duty, assessment or other governmental charge which has resulted in the requirement that the Company pay such Additional Amounts.

Certain Covenants

For as long as any of the Notes are outstanding or any amount remains unpaid on such Notes and the Company has obligations under the Indenture and the Notes, the Company will, and (as applicable) will cause each of its Subsidiaries to, comply with the terms of the covenants, among others, set forth below:

Performance of Obligations Under the Notes and the Indenture

The Company shall duly and punctually pay all amounts owed by the Company, and comply with all of its other obligations, under the terms of the Notes and the Indenture.

Registration of Notes with SMV; Listing of the Notes with the Latin American Exchange.

The Company shall have registered the Panamanian Notes and the Initial Notes, and shall register any Additional Notes, with the SMV and shall maintain such registration, and it has listed the Panamanian Notes and the Initial Notes, and shall list any Additional Notes on the Latin American Exchange. Promptly after such a listing, the Company shall notify the Trustee and the Holders in writing. The Company will at all times use reasonable efforts to maintain the Notes listed on the Latin American Exchange or, if the Company is unable to do so having used all reasonable efforts or if the maintenance of listing is determined by the Company to be unduly burdensome or impractical, use reasonable efforts to obtain and maintain a listing of the Notes on such other stock exchange or exchanges or securities market or markets as the Company decides and will give notice of the identity of such other stock exchange or exchanges or securities market or markets to the Holders and the Trustee. From and after the date that the Notes are registered on the SMV and listed on the Latin American Exchange, and so long as it is required by the rules of the SMV and the Latin American Exchange, the Company shall comply with the reporting and other requirements of Panamanian securities law applicable to companies who have registered their securities with the SMV and the Latin American Exchange.

Maintenance of Corporate Existence

The Company will, and will cause each of its Subsidiaries to, maintain in effect its and their respective corporate existence (subject to the Company's ability to consummate certain transactions as described below under "— Limitation on Consolidation, Merger, Sale or Conveyance") and all registrations necessary therefor and take all actions to maintain all rights, privileges, titles to property, franchises and the like necessary for or required in connection with the normal conduct of the Company's consolidated business, activities or operations; provided, however, that this covenant shall not require the Company or any of its Subsidiaries to maintain any such right, privilege, title to property, franchise or the like or require it to preserve the corporate existence of such Subsidiary, if it is reasonable to believe that, individually or in the aggregate, the failure to do so does not and will not have a material adverse effect on either (i) the Company's consolidated business, activities, operations, financial condition and results of operation, or (ii) the rights of the Holders in respect of the Notes and the Indenture (each, a "Material Adverse Effect").

Compliance with Laws

The Company will, and will cause its Subsidiaries to comply at all times with all Applicable Laws, rules, regulations, orders and directives of any government or government agency or authority having jurisdiction over the Company, its business or any of the transactions contemplated herein and obtain and maintain in

effect all licenses, certificates, permits, franchises and other governmental approval necessary to the ownership of their respective properties or to the conduct of their respective businesses, except (i) when in the Company's reasonable belief the failure by the Company or such Subsidiary to comply with such Applicable Laws or to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental approvals would not have a Material Adverse Effect or (ii) where the necessity of compliance therewith is being contested by the Company in good faith by appropriate proceedings.

Maintenance of Government Approvals

The Company will use its reasonable best efforts, and will cause its Subsidiaries to use their respective reasonable best efforts, to obtain and maintain in full force and effect all Governmental Approvals, consents or licenses of any Governmental Authority or any third party under the laws of Panama or any other jurisdiction having jurisdiction over the Company or its Subsidiaries, in all cases which are necessary for the Company or any of its Subsidiaries to perform its obligations under the Notes and the Indenture (including, without limitation, any authorization required to obtain and transfer U.S. dollars or any other currency which at that time is legal tender in the United States out of Panama in connection with the Notes and the Indenture) or for the validity or enforceability thereof, except when in the Company's reasonable belief the failure to do so would not have a Material Adverse Effect.

Payments of Taxes and Other Claims

The Company will, and will cause its Subsidiaries to file income tax and similar tax returns and pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary, as the case may be, and (ii) all lawful claims for labor which, if unpaid, would by law become a Lien upon the Company's property or of any Subsidiary, as the case may be; provided, however, that neither the Company nor any Subsidiary will be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim for which appropriate reserves as required by IFRS have been made and whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings or where the failure to pay or discharge or cause to be paid or discharge would not have a Material Adverse Effect.

Maintenance of Insurance

The Company and each of its Subsidiaries will maintain, with financially sound and reputable insurers, insurance with respect to the Company's respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated, except for any non-maintenance that would not reasonably be expected to have a Material Adverse Effect.

Maintenance of Properties

The Company and each of its Subsidiaries will maintain and keep its respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this covenant shall not prevent the Company or any Subsidiary from discontinuing the operation and maintenance of any properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Independent Auditors

For so long as the Notes are outstanding, the Company shall engage an internationally recognized independent accounting firm to audit the Consolidated Financial Statements of the Company and otherwise provide necessary accounting services to the Company in connection therewith.

Maintenance of Books and Records

The Company shall maintain and cause its Subsidiaries to maintain books, accounts and records in relation to the Company's business and activities in conformity with: (i) IFRS, and (ii) all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or any or its Subsidiaries.

Maintenance of Process Agent

The Company shall maintain an office or agency in the Borough of Manhattan, the City of New York, where notices to and demands upon the Company in respect of the Indenture and the Notes may be served in accordance with the Indenture. The Company will not change the designation of such office without prior notice to the Trustee and designation of a replacement office in the Borough of Manhattan, the City of New York.

Maintenance of Offices and Agencies

There shall at all times be maintained in the Borough of Manhattan, the City of New York, and in such other Places of Payment, if any, as shall be specified for the Notes, an office or agency where (i) the Notes may be presented or surrendered for registration of transfer, exchange or redemption and for payment and (ii) where the Company shall maintain the Note Register. Such office shall be initially located at the Corporate Trust Office and the address hereto. Notices and demands to or upon the Company or the Trustee in respect of the Notes or the Indenture may be served at the Corporate Trust Office. Written notice of the location of each of such other office or agency and of any change of location thereof shall be given by the Company to the Trustee and the Holders. The Trustee shall notify the Holders of any change of location of the Corporate Trust Office. In the event that no such office or agency shall be maintained or no such notice of location or of change of location shall be given, presentations, surrenders and demands may be made, notices may be served and the Note Register shall be maintained at the Corporate Trust Office.

Ranking

The Notes shall be direct, unsecured unsubordinated obligations of the Company and rank pari passu, in right of payment with each other and with all other present and future direct, unsecured and unsubordinated obligations of the Company (actual or contingent) that are not, by their terms, expressly subordinated in right of payment to the Notes other than statutory preferred obligations.

Notice of Certain Events

The Company will give notice to the Trustee upon its Authorized Representative becoming aware of the occurrence of any (i) Event of Default or an event which with the passage of time or giving of notice may become an Event of Default (a "Default"), accompanied by an Officer's Certificate of an Authorized Representative of the Company's setting forth the details of such Event of Default or Default and stating what action the Company proposes to take with respect thereto and (ii) any communication received by the Company from, or sent by the Company to, ASEP or any other applicable Panamanian governmental or regulatory authority in connection with any material noncompliance with the terms of the Concession Contract, or threatened early termination of the Concession Contract. Notwithstanding the foregoing, the Company shall provide written notice to the Trustee and each Holder of the occurrence of a Default or Event of Default within ten Business Days after the Company has knowledge of such Default or Event of Default.

Certificate of Compliance

At the time the Company provides the Trustee with its annual financial statements, and in any event not later than 180 days after the end of the Company's fiscal year ending December 31 (or at any other time as reasonably requested by the Trustee), the Company will provide the Trustee and the Holders with an Officer's Certificate, in English certifying that up to a specified date no earlier than seven days prior to the date of such certificate, the Company has complied with its obligations under the Notes and the Indenture

(or, if such is not the case, giving the details of the circumstances of such non-compliance) and that as of such date there did not exist nor had there existed at any time prior thereto since the date of delivery of the previous such certificate (or, in the case of the first such certificate, the date of the Indenture) any Default or Event of Default under the Notes or the Indenture.

Limitation on Liens

So long as any Note remains outstanding, the Company will not, and will not permit any Subsidiary to, directly or indirectly, create, assume, incur or suffer to exist any Lien on any of the Company's or its property or assets whether now owned or hereafter acquired whether arising in connection with the incurrence of any Indebtedness or otherwise ("Other Indebtedness"), unless at such time the Company contemporaneously creates or permits such Lien to secure equally and ratably the Indebtedness represented by the Notes until such time as the Other Indebtedness shall no longer be secured by any such Lien. Notwithstanding the foregoing, the Company and its subsidiaries may create, assume, incur or suffer to exist Permitted Liens.

Limitation on Consolidation, Merger, Sale or Conveyance

The Company will not and will not permit any Subsidiary to, in one transaction or in a series of transactions, consolidate or amalgamate with or merge into any Person or convey, lease or transfer all or substantially all of its properties, assets or revenues to any Person (other than the Company's Subsidiary) or permit any Person (other than a Subsidiary of the Company) to merge with or into it unless:

- (i) either the Company is the continuing entity or the Person (the "Surviving Entity") formed by the consolidation or into which the Company is merged or that acquired or leased the property or assets of the Company will assume (jointly and severally with the Company unless the Company will have ceased to exist as a result of that merger, consolidation or amalgamation), by supplemental indenture, all of the Company's obligations under the Indenture and the Notes;
 - (ii) the Surviving Entity (jointly and severally with the Company unless the Company will have ceased to exist as part of the merger, consolidation or amalgamation) agrees to indemnify each Holder against any tax, assessment or governmental charge thereafter imposed on the Holders solely as a consequence of the consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the Notes;
 - (iii) immediately before and immediately after giving effect to such transaction or series of transactions on a pro forma basis, no Default or Event of Default shall have occurred and be continuing;
 - (iv) immediately after giving effect to such transaction or series of transactions on a pro forma basis, including any Indebtedness incurred or anticipated to be incurred in connection with or in respect of the transaction or series of transactions either the surviving entity could incur at least US\$1.00 of indebtedness under "—Limitations on Indebtedness";
 - (v) the Surviving Entity shall either be (a) an Affiliate of the Company domiciled under the laws of Panama or such jurisdiction as may be consented by the Majority of the Holders, or (b) a *sociedad anónima* organized under the laws of Panama; and
 - (vi) the Company or the Surviving Entity, as applicable, shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such merger, consolidation, sale, assignment, transfer or other conveyance or disposition (and if a supplemental indenture is executed, such supplemental indenture) complies with this covenant and the Indenture and that all conditions precedent herein provided for relating to such transaction have been complied with. Such Officer's Certificate and Opinion of Counsel shall also provide that the material agreements relating to the transaction to which the Company is a party are valid and binding obligations of the Company.
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Notwithstanding anything to the contrary in the foregoing, so long as no Default or Event of Default under the Indenture or the Notes will have occurred and be continuing at the time of the proposed transaction or would result from the transaction:

- (i) The Company may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues in cases when the Company is the Surviving Entity in the transaction and the transaction would not have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole, it being understood that if the Company is not the Surviving Entity, the Company will be required to comply with the requirements set forth in the previous paragraph; or
- (ii) Any of the Company's Subsidiaries may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any other Subsidiary; or
- (iii) Any Subsidiary may liquidate or dissolve if the Company determines in good faith that the liquidation or dissolution is in the Company's best interest, and would not result in a Material Adverse Effect on the Company and its Subsidiaries taken as a whole and if the liquidation or dissolution is part of the Company's corporate reorganization; or
- (iv) The Company may sell, lease, transfer or otherwise dispose of its assets if the proceeds of such sales are used to purchase other property of a similar nature of at least equivalent value within one year of such sale.

Limitation on Incurrence of Indebtedness

The Company will not, and will not cause or permit any Subsidiary to, directly or indirectly, incur any Indebtedness other than the Notes and Permitted Indebtedness. The Company and its Subsidiaries, as applicable, may Incur the following Indebtedness ("Permitted Indebtedness"):

- (i) Indebtedness of the Company and of its Subsidiaries outstanding on the Closing Date;
 - (ii) Indebtedness of the Company, including Acquired Indebtedness, and Acquired Indebtedness Incurred by a Subsidiary not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, if, at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom the Consolidated Total Indebtedness to Consolidated EBITDA Ratio does not exceed 4.00x, subject to the provisions set forth under "- Consolidated Total Indebtedness to Consolidated EBITDA Ratio" below (including the MFL Requirement);
 - (iii) Permitted Acquisition Indebtedness;
 - (iv) Hedging Obligations entered into by the Company and its Subsidiaries in the ordinary course of business (including interest rate hedges against other Indebtedness) and not for speculative purposes;
 - (v) intercompany Indebtedness between the Company and any Subsidiary or between any Subsidiaries; provided that:
 - (a) if the Company is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the Notes and the Indenture, and
 - (b) in the event that at any time any such Indebtedness ceases to be held by the Company or any Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (v) at the time such event occurs;
 - (vi) Indebtedness of the Company or Indebtedness of any Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (including
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daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five Business Days of Incurrence;

- (vii) Indebtedness of the Company or Indebtedness of any Subsidiary represented by bid, surety or performance bond, or letters of credit or other bank or insurance guarantees for account of the Company or of any Subsidiary, as the case may be, issued in the ordinary course of business and not for financing purposes, and reimbursement obligations in respect thereof;
 - (viii) Refinancing Indebtedness in respect of:
 - (a) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary) Incurred pursuant to clause (ii) above (it being understood that no Indebtedness outstanding on the Closing Date is Incurred pursuant to clause (ii) above), or
 - (b) the Notes and Indebtedness Incurred pursuant to clauses (iii) and (iv) above and this clause (viii);
 - (ix) Capitalized Lease Obligations and Purchase Money Indebtedness of the Company or of any Subsidiary, and Refinancing Indebtedness in respect thereof, in an aggregate principal amount at any one time outstanding, not to exceed the greater of (x) US\$10,000,000 and (y) 5% of the Consolidated Total Assets;
 - (x) Indebtedness arising from agreements entered into by the Company or a Subsidiary providing for bona fide indemnification, adjustment of purchase price or similar obligations, or from customary guarantees or performance bonds securing any of obligations of the Company or of any Subsidiary pursuant to such agreements, in each case, Incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Subsidiary, provided that, in the case of a disposition, the maximum aggregate liability in respect of such Indebtedness shall at no time exceed the gross proceeds actually (including non-cash proceeds based on their Fair Market Value at the time received) received by the Company and its Subsidiaries in connection with such disposition;
 - (xi) any obligation of a Subsidiary for borrowed money Incurred in connection with a project financing or similar transaction in all cases relating to the construction, development, or acquisition of tangible assets or facilities (and any intangible assets necessary in connection with the operation thereof) used in the ordinary course of such Subsidiary's business so long as (A) the sole legal recourse for collection of principal and interest on such obligation is against the specific property identified in the instruments evidencing or securing such obligation, (B) there shall expressly be no recourse in respect of any such obligation to the Company or any other Subsidiary thereof (or any of their respective assets and properties), and (C) the Company and its other Subsidiaries shall expressly have no liability with respect thereto (any such obligation, "Project Finance Indebtedness"); and
 - (xii) other Indebtedness of the Company or of its Subsidiaries Incurred in an aggregate amount not to exceed US\$5 million at any one time outstanding; and
 - (xiii) customer deposits and advance payment received from customers for the sale, lease or license of goods and services in the ordinary course of business;
 - (xiv)
 - (a) Guarantees by (A) the Company of indebtedness of any Subsidiary permitted to be Incurred by such Subsidiary under this definition of Permitted Indebtedness and (B) any Subsidiary of any Indebtedness of the Company or another Subsidiary permitted to be Incurred under this definition of Permitted Indebtedness by the Company or such other Subsidiary; and
 - (b) Indebtedness constituting a Permitted Lien included in clause (vii) of the definition of Indebtedness (1) Incurred by the Company in respect of Indebtedness of a Subsidiary
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permitted to be Incurred by such Subsidiary under this definition of Permitted Indebtedness and (2) Incurred by a Subsidiary in respect of the Indebtedness of the Company or of another Subsidiary permitted to be Incurred under this section by the Company or such Subsidiary (excluding Indebtedness of any such other Subsidiary permitted under clause (i) above), as the case may be, which Lien is granted in compliance with, if applicable, Limitation on Liens provision.

Notwithstanding the provisions of this section and under “-Consolidated Total Indebtedness to Consolidated EBITDA Ratio” below, in no event may the aggregate amount of all Indebtedness for which any or all of the Subsidiaries is directly or contingently obligated exceed 10% of the Consolidated Total Assets of the Company and of all of its Subsidiaries taken as a whole; provided that for purposes hereof, such Indebtedness shall not include Project Finance Indebtedness.

For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this section, the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this section; provided that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of this section will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision.

In the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this section, the Company, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its Incurrence, and will only be required to include the amount and type of such Indebtedness in one of such clauses although the Company may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later re-divide or reclassify all or a portion of such item of Indebtedness in any manner that complies with this section. For the avoidance of doubt, Indebtedness permitted by clause (xiii) of the definition of Permitted Indebtedness will be without duplication for the underlying Indebtedness that is guaranteed or for which a Lien is granted in accordance with such clause (xiii).

For purposes of determining compliance with this section, the U.S. dollar-equivalent principal amount of Indebtedness denominated in foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred in the case of term Indebtedness (or first committed in the case of revolving credit Indebtedness), provided that if such Indebtedness is Incurred to Refinance other Indebtedness denominated in foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this section, the maximum amount of Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of this section, the maximum amount of Indebtedness that the Company or any Subsidiary may incur pursuant to this section shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.

Consolidated Total Indebtedness to Consolidated EBITDA Ratio

The Company shall not permit the Consolidated Total Indebtedness to Consolidated EBITDA Ratio for the then most recently ended four fiscal quarters to exceed 4.00x; provided, however, that the Consolidated Total Indebtedness to Consolidated EBITDA Ratio may exceed 4.00x during an Eligible Acquisition or

Capital Investment Period no more than two times during the term of the Notes, provided that during such period the Consolidated Total Indebtedness to Consolidated EBITDA Ratio does not exceed 4.50x.

So long as the Existing Note Facility includes a covenant that is the same or similar to the Consolidated Total Indebtedness to Consolidated EBITDA Ratio covenant (such covenant in the Existing Note Facility, howsoever expressed, the "Existing Note Facility Leverage Ratio Test") and the ratio levels (the "Ratio Level") in the Existing Note Facility Leverage Ratio Test, as they may be amended or otherwise modified at any time, are more restrictive than the "4.00x" and "4.50x" Ratio Levels as described in the paragraph above, respectively, then the Ratio Levels in the Consolidated Total Indebtedness to Consolidated EBITDA Ratio test shall automatically be the same as the Ratio Levels included in the Existing Note Facility Leverage Ratio Test. It is acknowledged and agreed that, as of the date of the Indenture, the Ratio Levels in the Existing Note Facility Leverage Ratio Test are "3.50x" and "4.00x," respectively, and these shall be the Ratio Levels applicable so long as the Existing Note Facility Leverage Ratio Test is in effect. The Company shall, within 10 Business Days after any amendment or other modification to the Existing Note Facility Leverage Ratio Test, provide notice to the Trustee and the Holders of any such amendment or other modification, together with a copy thereof. For the avoidance of doubt, the Ratio Levels in the Consolidated Total Indebtedness to Consolidated EBITDA Ratio test in this section shall never be more than "4.00x" and "4.50x," respectively. For purposes of reference to this section, the requirement in this paragraph is referred to as the "MFL Requirement".

Transactions with Affiliates

- (a) The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of the Company's Affiliates (each an "Affiliate Transaction"), unless:
 - (i) such Affiliate Transaction is in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person that is not an Affiliate thereof;
 - (ii) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US\$5.0 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and
 - (iii) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US\$10.0 million, the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and the relevant Subsidiary (if any) from a financial point of view from an Independent Financial Advisor and deliver the same to the Trustee.
 - (b) Part (a) above will not apply to:
 - (i) Affiliate Transactions with or among the Company and its Subsidiaries or between or among its Subsidiaries;
 - (ii) reasonable fees and compensation paid to, and any indemnity provided on behalf of, the Company's officers, directors, employees, consultants or agents or of any of its Subsidiaries as determined in good faith by the Board of Directors of the Company;
 - (iii) Affiliate Transactions in existence on the Closing Date and described in the Offering Memorandum or any amendment, modification or replacement of such agreement (so long
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as such amendment, modification or replacement is not materially more disadvantageous to the Company and its Subsidiaries or the Holders, taken as a whole, than the original agreement as in effect on the Closing Date);

- (iv) any Restricted Payments made in compliance with “—Limitation on Restricted Payments” or any Permitted Investment;
- (v) loans and advances to the Company's officers, directors and employees or of its Subsidiaries made in the ordinary course of business related to the business activities of the Company and of its Subsidiaries, not exceeding US\$500,000 outstanding in the aggregate at any one time;
- (vi) any employment agreement, profit sharing, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any Subsidiary in the ordinary course of business or consistent with past practice and payments pursuant thereto; and
- (vii) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Company or its Subsidiaries (as applicable), or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party.

Limitation on Restricted Payments

Upon the occurrence and continuation of an Event of Default, the Company will not, and will not cause or permit any Subsidiary to, directly or indirectly, make any Restricted Payment (as set forth in the definition thereof below), or incur any obligation (contingent or otherwise) to do so, except that (i) any Subsidiary may make a Restricted Payment to the Company or any other Subsidiary, and (ii) any Subsidiary that is not a wholly-owned Subsidiary may make distributions to the holders of its Capital Stock on a pro rata basis to the extent such Subsidiary is contractually obligated to make such distribution or such Subsidiary has a fiduciary obligation to make such distribution and such distribution is made in compliance with Applicable Law.

Provision of Financial Statements and Reports

The Company will provide or cause to be provided to the Holders any financial statements which it may file with the SMV, with any other securities or regulatory authority in Panama or otherwise make available to the public in such language or form as such financial statements are prepared.

In addition to the foregoing (and without duplication), the Company will cause to be provided to each Holder in English (or accompanied by an English translation thereof), (i) as soon as available and in any case within 90 calendar days after the end of each fiscal quarter, the information set forth in the form of quarterly report attached as Exhibit F of the Indenture, including its unaudited consolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flows for such fiscal quarter and (in the case of the second and third fiscal quarters) for the portion of the fiscal year ending with such fiscal quarter, setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with IFRS applicable to interim financial statements generally, and certified by a senior financial officer of the Company as fairly presenting, in all material respects, the financial position of the Company being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, and (ii) as soon as available and in any case within 120 calendar days after the end of each fiscal year, the audited and consolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flows as at the end of such fiscal year, setting forth in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with IFRS, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of an independent

public accountant of recognized international standing which opinion shall state that such financial statements give a true and fair view of the financial position of the Company being reported upon and their results of operations and cash flows and have been prepared in conformity with IFRS (except as disclosed in reasonable detail therein), and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances.

The Company will provide each Holder with an Officer's Certificate as to compliance with the Indenture (i) with respect to its unaudited consolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flows corresponding to the second quarter of its fiscal year, at the time of the delivery thereof to such Holder, and (ii) with respect to its audited and consolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flows, within 120 days after the end of each fiscal year.

In the event the Company shall file any financial statements or reports with the SEC, or shall publish or otherwise make such statements or reports (other than the statements and reports referred to in the preceding paragraphs) publicly available in Panama, the United States or elsewhere, the Company shall furnish a copy of such statements or reports to the Holders within 30 calendar days of the date of filing or the date the information is published or otherwise made publicly available, as the case may be.

Concurrently with providing the Holders with the information described above, the Company will post copies of such information on a web site maintained by the Company or provide substantially comparable public availability of such information.

Further Actions

The Company will, at its own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary or as the Trustee may reasonably request, in accordance with Applicable Laws and/or regulations, to be taken, fulfilled or done in order to (i) enable the Company to lawfully enter into, exercise its rights and perform and comply with the obligations of the Company under the Notes and the Indenture, (ii) ensure that the obligations of the Company under the Notes and the Indenture are legally binding and enforceable, (iii) make the Notes and the Indenture admissible in evidence in the courts of the State of New York or Panama following an Event of Default, (iv) preserve the enforceability of, and maintain the Trustee's rights under, the Indenture and the Notes and (v) respond to any reasonable requests received from the Trustee to enable the Trustee to facilitate the Trustee's performance of its rights and obligations under the Notes and the Indenture, including exercising and enforcing its rights under and carrying out the terms, provisions and purposes of the Notes and the Indenture.

Visitation by Holders; Inspection Rights

The Company will permit, if no Default or Event of Default has occurred and is continuing, representatives of each Holder to visit the principal executive offices of the Company once per calendar year, upon reasonable notice, during normal business hours, at such Holder's own expense, to discuss the Company's affairs, finances and accounts and of its Subsidiaries with the respective officers, employees and independent public accountants of the Company (with the consent of the Company, which will not be unreasonably withheld), and to visit its other offices and properties and of its Subsidiaries as may be reasonably requested; and

The Company will permit, at all times when a Default or an Event of Default has occurred and is continuing, and otherwise, upon reasonable notice, during normal business hours, a representative of the Trustee to have access to the Company's books of account and records and shall permit representatives of the Trustee which may include Holders provided that the Trustee notifies the Company of the same, at the Company's expense, to visit and inspect any of the properties or offices of the Company, to examine and make abstracts from any of the books and records of the Company, to request copies of such books, accounts and/or records and to discuss its affairs, finances and accounts with the officers, employees and

independent public accountants of the Company, if any, all at such reasonable times and as often as may be reasonably desired.

Notwithstanding the provisions of the paragraphs above, the Company shall not be required to provide projections or estimates or any other information that the Company determines, after consultation with counsel qualified to advise on such matters that it would be prohibited from disclosing such information by Applicable Law or regulations without making public disclosure thereof or notwithstanding the requirements of the Indenture, the Company is prohibited from disclosing such information by the terms of an obligation of confidentiality contained in any agreement binding upon the Company.

Appointment to Fill a Vacancy in the Office of the Trustee

The Company, whenever necessary to avoid or fill a vacancy in the office of the Trustee, will appoint in the manner set forth in the Indenture, a successor Trustee, so that there shall at all times be a Trustee with respect to the Notes.

Rating on the Notes

The Company shall (a)(i) obtain annually a public ratings letter (or similar evidence) from at least one (1) of S&P, Fitch or Moody's (or any other nationally or internationally recognized rating agency approved by the Majority of the Holders) indicating the then-current rating on the Notes, which evidence shall be delivered to the Holders between the date that is the anniversary of the Closing Date in such applicable year and sixty (60) days following such anniversary of the Closing Date in such applicable year; provided, that, for the avoidance of doubt, no minimum rating level shall be required and (ii) pay any monitoring and rating affirmation fees to any Rating Agency in respect of such rating; and (b) provide such Rating Agency all reports, records and documents as the Rating Agency shall reasonably request to monitor or affirm the rating assigned by it.

Listing

Prior to the initial issuance of one or more Global Notes hereunder, the Company may issue debt securities one or more certificated Notes registered in the name of LatinClear (each, a "Panamanian Note") in order to facilitate the trading of the Notes on the Latin American Exchange. Such Panamanian Note or Panamanian Notes shall have terms substantially the same as the terms of the Global Note or Global Notes issued pursuant to the Indenture, shall not be entered into the book entry systems of DTC or Euroclear and shall by each of their respective terms, become null and void and of no further effect upon the issuance of the Notes in the form of a Global Note or Notes or Physical Note or Notes in an aggregate principal amount equal to the aggregate principal amount of such Panamanian Note or Panamanian Notes, as replacement thereof. Except with respect to the authentication of any Panamanian Note in accordance with the Indenture, and the receipt of such cancelled Panamanian Note from the Company, the Trustee shall have no duties or obligations with respect to any Panamanian Note, including the enforcement of or the exercising of remedies in connection with such Panamanian Note.

Redemption

Mandatory Redemption at Maturity

Unless previously redeemed, or purchased and cancelled, the Notes shall be redeemed at their principal amount in U.S. dollars on the final Maturity Date. The redemption price payable at such time shall be the original principal amount of the Notes plus accrued and unpaid interest thereon at the Note Rate and all other amounts due and payable under the terms of the Notes and the Indenture.

Right to Cause Early Redemption for Taxation Reasons

The Company may redeem the Notes in whole, but not in part, upon giving notice no less than 30 calendar days and no more than 60 calendar days to the Holders before the date fixed for redemption in accordance with "—Notices" below if (i) the Company would otherwise become obligated to pay Additional Amounts

based on any taxes assessed by a Taxing Jurisdiction as a result of any generally applicable change in or amendment to the laws or regulations of such Taxing Jurisdiction, or any generally applicable change in the official application or official interpretation of such laws or regulations (including a determination by a court of competent jurisdiction), in each case, which change or amendment becomes effective after the date of the original issuance of any of the Notes and (ii) the Company cannot avoid its obligations to pay such Additional Amounts by taking reasonable measures available to the Company (including, without limitation, the use of a different Paying Agent).

Prior to the giving of any notice of redemption described in this paragraph, the Company will deliver to the Trustee (A) an Opinion of Counsel of recognized standing stating that such Additional Amounts are payable due to a change in, or amendment to, the laws or regulations of the relevant Taxing Jurisdiction, and (B) an Officer's Certificate stating that (i) the Company is entitled to redeem the Notes in accordance with the terms in the Indenture and stating the facts relating to such redemption, (ii) the Company has become obligated to pay such Additional Amounts as a result of a change or amendment described above, and (iii) the Company reasonably believes that it cannot avoid payment of such Additional Amounts by taking reasonable measures available to the Company and that all governmental approvals necessary for the Company to effect such redemption have been obtained and are in full force and effect or specifying any necessary approvals that have not been obtained. The Trustee shall accept and shall be entitled to rely on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

In the event the Company determines to redeem the Notes as described above, the Company shall specify in the notice of redemption the proposed date of redemption (the "Early Redemption for Taxation Reasons Date") and shall deposit with the Trustee (on behalf of the Holders) an amount in U.S. dollars equal to the sum of (i) 100% of the then Outstanding principal amount of the Notes (including any Additional Amounts payable with respect thereto), (ii) all unpaid interest accrued to (but not including) the Early Redemption for Taxation Reasons Date (including any Additional Amounts payable with respect thereto), and (iii) all other amounts owed to the Holders under the terms of the Indenture or the Notes (collectively, the "Early Redemption for Taxation Reasons Price"), as calculated by the Company and notified to the Trustee in writing upon which calculation the Trustee may conclusively rely; provided, however, that the Company will not be obligated to pay any premium or other similar amount in connection therewith. Notices of Early Redemption for Taxation Reasons may not be conditional.

Early Redemption in Connection with a Noteholder Sanctions Event

Upon the Company's receipt of notice from any Affected Noteholder that a Noteholder Sanctions Event has occurred, the Company shall promptly, and in any event within 10 Business Days, make an offer (the "Sanctions Redemption Offer") to redeem the entire unpaid principal amount of Notes held by such Affected Noteholder (the "Affected Notes"), together with interest thereon to the redemption date selected by the Company with respect to each Affected Note but without payment of any Make-Whole Amount with respect thereto, which redemption shall be on a Business Day not less than 30 days and not more than 60 days after the date of the Sanctions Redemption Offer (the "Sanctions Redemption Date"). Such Sanctions Redemption Offer shall provide that such Affected Noteholder notify the Company in writing by a stated date (the "Sanctions Redemption Response Date"), which date is not later than 10 Business Days prior to the stated Sanctions Redemption Date, of its acceptance or rejection of such redemption offer. If such Affected Noteholder does not notify the Company as provided above, then the Holder shall be deemed to have accepted such offer.

- (i) Subject to the provisions of subparagraphs (iii) and (iv) below, the Company shall redeem on the Sanctions Redemption Date the entire unpaid principal amount of the Affected Notes held by such Affected Noteholder who has accepted (or has been deemed to have accepted) such redemption offer, together with interest thereon to the Sanctions Redemption Date with respect to each such Affected Note, but without payment of any Make-Whole Amount with respect thereto.
 - (ii) If a Noteholder Sanctions Event has occurred but the Company and/or its Controlled Entities have taken such action(s) in relation to their activities so as to remedy such Noteholder Sanctions Event
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(with the effect that a Noteholder Sanctions Event no longer exists, as reasonably determined by such Affected Noteholder) prior to the Sanctions Redemption Date, then the Company shall no longer be obliged or permitted to redeem such Affected Notes in relation to such Noteholder Sanctions Event. If the Company and/or its Controlled Entities shall undertake any actions to remedy any such Noteholder Sanctions Event, the Company shall keep the Holders reasonably and timely informed of such actions and the results thereof.

- (iii) If any Affected Noteholder that has given written notice to the Company of its acceptance of (or has been deemed to have accepted) the Company's redemption offer also gives notice to the Company prior to the relevant Sanctions Redemption Date that it has determined (in its sole discretion) that it requires clearance from any Governmental Authority in order to receive a redemption pursuant to this section, the principal amount of each Note held by such Affected Noteholder, together with interest accrued thereon to the date of prepayment, shall become due and payable on the later to occur of (but in no event later than the Maturity Date of the relevant Note) (a) such Sanctions Redemption Date and (b) the date that is 10 Business Days after such Affected Noteholder gives notice to the Company that it is entitled to receive a redemption (which may include payment to an escrow account designated by such Affected Noteholder to be held in escrow for the benefit of such Affected Noteholder until such Affected Noteholder obtains such clearance from such Governmental Authority), and in any event, any such delay in accordance with the foregoing clause (ii) shall not be deemed to give rise to any Default or Event of Default.
- (iv) Promptly, and in any event within 5 Business Days, after the Company's receipt of notice from any Affected Noteholder that a Noteholder Sanctions Event shall have occurred with respect to such Affected Noteholder, the Company shall forward a copy of such notice to each other Holder.
- (v) The Company shall promptly, and in any event within 10 Business Days, give written notice to the Holders after the Company or any Controlled Entity having been notified that (a) its name appears or may in the future appear on a State Sanctions List or (b) it is in violation of, or is subject to the imposition of sanctions under, any U.S. Economic Sanctions Laws, in each case which notice shall describe the facts and circumstances thereof and set forth the action, if any, that the Company or a Controlled Entity proposes to take with respect thereto.
- (vi) The foregoing provisions shall be in addition to any rights or remedies available to any Holder that may arise under the Indenture as a result of the occurrence of a Noteholder Sanctions Event; provided, that, if the Notes shall have been declared due and payable as a result of the events, conditions or actions of the Company or its Controlled Entities that gave rise to a Noteholder Sanctions Event, the remedies set forth in Remedies upon Occurrence of an Event of Default shall control.

Right to Cause Optional Early Redemption

The Notes will be redeemable, in whole or in part, at the Company's option, at any time and from time to time upon giving notice no less than 30 calendar days and no more than 60 calendar days to the Holders before the date fixed for redemption in accordance with "—Notices" below and shall pay a redemption price equal to the sum of (w) 100% of the then outstanding principal amount of the Notes, (x) the Make-Whole Amount determined for the Optional Early Redemption Date, (y) all unpaid interest on the Notes accrued to the Optional Redemption Date and (z) all other amounts owed to the Holders and then due under the terms of the Indenture or the Notes (collectively, the "Optional Redemption Price"), as calculated by the Company and notified to the Trustee in writing upon which calculation the Trustee may conclusively rely, provided that such calculation shall not be deemed to prevent any Person from contesting whether it was accurately calculated in accordance with the foregoing formula.

If less than all of the Notes are to be redeemed at any time, Notes shall be selected for redemption based on the Applicable Procedures (or, in the case of Physical Notes, the Trustee will select Notes for redemption on a pro rata basis), unless otherwise required by Applicable Law or applicable stock exchange or Depositary requirements. No Notes of less than US\$100,000 will be redeemed in part. Notices of Optional Early Redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note at the Company's expense.

Purchases of Notes by the Company

The Company will not and will not permit any Subsidiary or Affiliate to purchase or otherwise acquire, directly or indirectly, any of the Notes Outstanding subsequent to the sale of the Initial Notes to the Purchasers pursuant to the Purchase Agreement except (i) upon the payment of the Notes in accordance with the terms of the Indenture and the Notes or (ii) pursuant to an offer to purchase made by the Company, a Subsidiary or an Affiliate pro rata to the Holders of all Notes at the time Outstanding (A) upon the terms and conditions to be specified, provided that such terms and conditions are the same to all the Holders of the Notes, or (B) if at any time during which the Applicable Procedures of the Depository do not provide for pro rata purchase in the event the Company desires to purchase less than all of the Notes, at the Optional Early Redemption Price. Any such offer shall be accompanied by a statement from the Company that it is being made in accordance with the Indenture at the Optional Early Redemption Price. The Company hereby agrees to use its commercially reasonable efforts to purchase the Notes of the Holders and any subsequent transferees thereof on a pro rata basis to the extent the Depository is unwilling or unable to do so. Each of the Holders of the Notes and any subsequent transferees thereof by their acceptance of any Note shall be deemed to have agreed that they will sell such Notes at the price and in the amount so stated.

Any Notes (or beneficial interests therein) that are held or acquired by the Company or its Affiliates will be cancelled. In order to effect such cancellation, the Company will, by no later than 30 days after its acquisition of such Notes (or beneficial interests therein), deliver an Officer's Certificate to the Trustee identifying such Notes (or beneficial interests therein) so owned by the Company or such Affiliate (including, to the extent applicable, indicating the amounts of the Global Notes so acquired) and that the indicated principal amount thereof is to be canceled (which ownership the Company will evidence to the reasonable satisfaction of the Trustee); *provided, however*, that in order for the Trustee to so cancel any beneficial interest in a Global Note, the Company must arrange for such beneficial interest to be tendered to the Trustee for cancellation through any applicable participants of the Depository in accordance with its Applicable Procedures. In addition, if the Company or any of its Affiliates holds any Physical Notes, then the Company will be required to deliver (together with the aforementioned Officer's Certificate) any such Physical Notes to the Trustee for cancellation. Upon receipt by the Trustee (or any agent appointed by the Trustee for such purpose) of (i) the Officer's Certificate, and (ii)(x) the Company's compliance with the Applicable Procedures of the Depository (in respect of Global Notes), or (y) the Notes (in respect of Physical Notes), the Trustee shall cancel such Note or Notes in accordance with the terms of the Indenture.

If any Panamanian Note shall have been executed and authenticated under the Indenture (i) but never issued or sold to third parties by the Company, or (ii) upon the issuance of the Notes in the form of a Global Note or Notes or Physical Note or Notes in an aggregate principal amount equal to the aggregate principal amount of such Panamanian Note or Panamanian Notes, as replacement thereof, the Company shall cancel and deliver such Panamanian Note to the Trustee, together with an Officer's Certificate, upon which the Trustee may conclusively rely. Upon receipt by the Trustee of (x) such Officer's Certificate, and (y) such Panamanian Note, such Panamanian Note shall be deemed to be cancelled and, in the case of clause (i) above, to have never been authenticated and delivered under the Indenture.

Events of Default

The following events will each be an "Event of Default" under the terms of the Notes and the Indenture:

- (i) The Company shall fail to make any payment of principal or Make-Whole Amount on any of the Notes when due in accordance with the terms of the Notes and the Indenture, whether on the Maturity Date, upon redemption or otherwise; provided that such default shall not constitute an Event of Default hereunder if (i) such default results solely from a technical or administrative error on behalf of the transmitting bank and (ii) the Company remedies such non-payment within one (1) Business Day of such non-payment;
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- (ii) The Company shall fail to make any interest payment or other amounts due on or with respect to the Notes (including Additional Amounts) in accordance with the terms of the Notes and the Indenture, and this non-payment continues for 15 calendar days from its scheduled due date;
 - (iii) The Company fails to perform or observe any of the covenants set forth under “—Certain Covenants— Limitation on Consolidation, Merger, Sale or Conveyance” and “—Certain Covenants—Limitation of Incurrence of Indebtedness,” not otherwise expressly included as an Event of Default;
 - (iv) The Company fails to perform, or breaches, any term, covenant, agreement or obligation contained in the Indenture (other than the covenants, agreement or obligations for which the consequences of nonperformance or breach are addressed elsewhere in this section) and such failure is either incapable of remedy or continues for a period of 45 calendar days (inclusive of any time frame contained in any such term, covenant, agreement or obligation for compliance thereunder) after written notice of such failure has been received by the Company from the Trustee or by the Company or the Trustee from the Majority of the Holders;
 - (v) The Company or any Material Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Material Subsidiary (or the payment of which is guaranteed by the Company or any Material Subsidiary) whether such Indebtedness now exists, or is created after the date of the Indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest with a payment amount on or in excess of US\$1,000,000 (or its equivalent in the relevant currency of payment) on such Indebtedness after giving effect to any grace period provided in such Indebtedness on the date of such default (a “Payment Default”) or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, totals US\$20,000,000 (or the equivalent thereof in the relevant currency of payment) or more in the aggregate;
 - (vi) One or more final non-appealable judgments or decrees for the payment of money of US\$10,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against the Company or any Material Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise irrevocably discharged through insurance or payments by a third party;
 - (vii) Any of (a) the Concession Contract is suspended, revoked, terminated or amended in a manner that reasonably can be expected to have a Material Adverse Effect or ceases to be in full force and effect in any material respect, (b) the Company receives written notice from the ASEP or any other applicable government or regulatory authority of Panama, that the Concession Contract will be suspended, revoked, terminated or amended in a manner that reasonably can be expected to have a Material Adverse Effect (each, a “Concession Action”) and, with respect to (b), the Company has not, within a period of 60 days thereafter, obtained a waiver, stay or injunction against of any such Concession Action, but only for as long as such waiver stay or injunction shall remain in effect;
 - (viii) Any Governmental Authority (i) shall have condemned, nationalized, seized, or otherwise expropriated all or any substantial portion of the consolidated assets or property of the Company (including that of any Material Subsidiary) or the share capital of the Company (including the share capital of any Material Subsidiary), or (ii) shall have assumed custody or control of such consolidated assets or property or of the Company’s business or operations or its share capital, or (iii) shall have taken any action that would prevent the Company or its officers (or those of any Material Subsidiary) from carrying on a substantial portion of the Company’s business or operations or those of any Material Subsidiary for a period of longer than 30 consecutive days;
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- (ix) Any Panamanian government or Governmental Authority thereof shall declare and made effective a general suspension of payment or a moratorium on the payment of the Indebtedness of the Company (which does not expressly exclude the Notes);
 - (x) An attachment, execution, seizure before judgment or other legal process is levied or enforced upon any part of the property of the Company or that of any Material Subsidiary that reasonably can be expected to have a Material Adverse Effect and (i) such attachment, execution, seizure before judgment or other legal process shall not have been discharged within 30 days thereof or (ii) if such attachment, execution, seizure before judgment or other legal process shall not have been discharged within said 30-day period, the Company or any Material Subsidiary, as the case may be, shall not have within said 30-day period contested such attachment, execution, seizure before judgment or other legal process in good faith by appropriate proceedings upon stay of execution of the enforcement thereof or upon posting a bond in connection therewith; provided, however, that in no event shall the grace period provided by item (ii) of this subparagraph extend beyond the 180th day after the initiation of such proceedings;
 - (xi) A resolution is passed or adopted by the Board of Directors or stockholders of the Company or by any Panamanian governmental or regulatory authority or a judgment of a court of competent jurisdiction is made, that the Company or any of the Material Subsidiaries of the Company be wound up or dissolved otherwise than for the purposes of, or pursuant to, or in connection with a merger, consolidation or amalgamation (within the meaning of these words under the laws of Panama) and any winding up, dissolution or liquidation proceedings resulting from the taking of such corporate action remains undismissed for 60 days;
 - (xii) The Company or any of the Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing the Company's inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; a resolution by any Panamanian governmental or regulatory authority shall have declared and made effective an intervention or any similar action against the Company and the same shall have continued undischarged for a period of 60 days;
 - (xiii) Any proceeding shall be instituted by or against the Company or any of the Material Subsidiaries seeking to adjudicate the Company or any of the Material Subsidiaries bankrupt or insolvent, or seeking liquidation (other than for the purposes of or pursuant to a merger, consolidation or amalgamation, within the meaning of such terms under the laws of Panama), winding up, reorganization, arrangement, adjustment, protection, relief or composition of any Indebtedness under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, Trustee, or other similar official for the Company or for any substantial part of the property of the Company or that of any of the Material Subsidiaries and, in the case of any of the foregoing actions instituted against the Company or any of the Material Subsidiaries, such proceeding or action shall not have been dismissed or discharged and shall remain in effect for 90 days; or the Company shall take corporate action to authorize any of the actions set forth above in this subsection;
 - (xiv) Any material provision of the Notes or the Indenture (a) shall cease to be in full force and effect or binding and enforceable against the Company (which has not been replaced by alternative provisions satisfactory to the Majority of the Holders within a period of 30 days of the provision ceasing to be effective, binding or enforceable) shall have given written notice thereof to the Company) except for such provision, the invalidity, illegality or unenforceability of which could not, individually or in the aggregate, have a Material Adverse Effect), or (b) shall cease to be admissible in evidence in the courts of Panama; or it becomes unlawful for the Company to perform any material obligation under any of the Notes or the Indenture; or the Company shall contest the enforceability of any of the Notes or the Indenture; or the Company denies that it has liability under any of the Notes or the Indenture; or
 - (xv) The occurrence of certain events including, but not limited to, fires, floods, earthquakes, storms, hurricanes or other natural disasters, wars, rebellions or acts of terrorism that result in irreparable
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damage or destruction to the electrical distribution facilities that the Company operates and maintains and that is not fully covered by insurance, resulting in Material Adverse Effect.

Remedies upon Occurrence of an Event of Default

Upon the occurrence and continuation of an Event of Default, the Trustee shall, upon the request of the Holders holding not less than 25% in principal amount of the Notes then Outstanding, by written notice to the Company, declare all of the Notes immediately due and payable; provided, however, that in the case of any of the Events of Default described in paragraphs (xi), (xii), (xiii) or (xiv) above, all of the Notes shall, without any notice to the Company, or any other act by the Trustee or any Holder, become immediately due and payable.

Upon the Notes becoming immediately due and payable in accordance with an Event of Default described in the preceding paragraph above, the Company shall pay to the Trustee an amount equal to the sum of the principal amount of the Notes outstanding, all accrued interest thereon, any Additional Amounts and the Make-Whole Amount (the "Event of Default Redemption Amount") as calculated by the Company and notified to the Trustee in writing.

The Majority of the Holders may rescind and annul a declaration of acceleration made with respect of the Notes and before a judgment or decree has been duly obtained by the Trustee, by written notice to the Company and to the Trustee if:

- (i) any amount has been paid to or deposited with the Trustee sufficient to pay: (a) all overdue installments of interest on the Notes at the Default Rate; (b) the principal on any Notes that have become due other than by such declaration of acceleration; (c) to the extent that payment of such interest is lawful, interest on overdue interest and overdue principal and premium, if any, and Additional Amounts, if any, at the Default Rate; and (d) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel; and
- (ii) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived.

The Majority of the Holders shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the limitations specified in the Indenture.

The Majority of the Holders may waive any past Default under the Indenture by notice to the Trustee except an uncured Default in the payment of principal of or interest on the Notes or an uncured Default relating to a covenant or provision of the Indenture that cannot be modified or amended without the consent of each affected Holder.

Knowledge of Default

If a Default or Event of Default occurs and is continuing, and if a responsible officer of the Trustee has actual knowledge thereof, as determined in accordance with the Indenture the Trustee shall transmit to each Holder notice of the Default or Event of Default within 30 days after the Trustee has knowledge of such Default or Event of Default. Except in the case of a Default or Event of Default in payment of principal, interest or other amounts due on any Note, the Trustee may withhold the notice if and so long as its Board of Directors in good faith determines that withholding the notice is in the interest of the Holders.

Limitation on Suits

No Holder will have any right to institute any proceeding with respect to the Indenture or the Notes or for any remedy thereunder unless: (i) the Holder has previously given written notice to the Trustee of a continuing Event of Default under the Notes; (ii) the Holders of not less than 25% in aggregate principal amount of the outstanding Notes have made a written request to the Trustee to institute proceedings in

respect of the Event of Default or breach in its own name as Trustee; (iii) the Holders have offered to the Trustee indemnity satisfactory to it, (iv) the Trustee for 60 days thereafter has failed to institute any such proceeding; and (v) no direction inconsistent with that request has been given to the Trustee during that 60 day period by the Majority of the Holders. However, the right of any Holder to institute a suit for the enforcement of the payment of principal or interest on the due date therefor may not be impaired without its consent.

Modification of the Indenture

The Company and the Trustee may, without the consent of the Holders, amend, waive or supplement the Indenture for certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies, or making any other provisions with respect to matters or questions arising under the Indenture or the Notes or making any other change that will not adversely affect the interest of any Holder in any material respect.

In addition, with certain exceptions, the Indenture may be modified by the Company and the Trustee with the consent of a Majority of the Holders. Any amendment, waiver or supplement to the Indenture, with or without the consent of a Majority of the Holders, may be subject to prior approval or filing requirements of SMV pursuant to SMV Accord 4-2003 (*Acuerdo* 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, and must be performed in compliance with the provisions thereof. However, no modification may, without the consent of the Holder of each outstanding Note:

- (i) change the maturity of any payment of principal of or any installment of interest on, or any payment of Make-Whole Amount on, any Note whether at maturity or earlier redemption or otherwise;
- (ii) reduce the principal amount of any Note or the rate of interest thereon or Additional Amounts, or change the method of computing the amount of principal thereof or interest or Make-Whole Amount payable thereon or Additional Amounts on any date;
- (iii) change any Place of Payment where, or the coin or currency in which, the principal of or interest (including Additional Amounts) on any Note is payable;
- (iv) impair the right of the Holders to institute suit for the enforcement of any payment of a Note on or after the maturity or the date of payment, as the case may be, thereof (or, in the case of redemption or repayment, on or after the Early Redemption for Taxation Reasons Date, the Optional Early Redemption Date, the Sanctions Purchase Date or the Payment Date, as the case may be);
- (v) reduce the percentage in aggregate principal amount of the outstanding Notes, the consent of whose Holders is required for any modification or the consent of whose Holders is required for any waiver of compliance with certain provisions of the Indenture or certain Defaults under the Indenture and their consequences provided for in the Indenture; or
- (vi) modify any of the provisions of certain sections of the Indenture, including the provisions summarized in “— Modification of the Indenture,” except to increase any percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each Holder.

Defeasance and Covenant Defeasance

The Company may, at its option, elect to be discharged from its obligations with respect to the Notes. In general, upon a defeasance, the Company will be deemed to have paid and discharged the entire indebtedness represented by the Notes and to have satisfied all of its obligations under the Notes and the Indenture except for (i) the rights of the Holders to receive payments in respect of the principal of and interest and Additional Amounts, if any, on the Notes when the payments are due, (ii) certain provisions of the Indenture relating to execution, ownership, registration, transfer and payment of the Notes, (iii) the

rights, powers, trusts, duties and immunities of the Trustee, and its obligation to pay the Trustee and Trustee's right to have a Lien.

In addition, the Company may, at its option, and at any time, elect to be released with respect to the Notes from the covenants described above. The Company refers to this as "Covenant Defeasance." Following such Covenant Defeasance, the occurrence of a breach or violation of any such covenant with respect to the Notes (except any payment obligations contained therein) will not constitute an Event of Default under the Indenture, and certain other events (not including, among other things, non-payment of principal or interest on the Notes, dissolution or intervention by any Governmental Authority, inability to pay the Company's debts or bankruptcy and insolvency events) described under "— Events of Default" also will not constitute event of default.

In order to exercise either Defeasance or Covenant Defeasance, the Company will be required to satisfy, among other conditions, the following requirements:

- (i) the Company shall irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars or U.S. government obligations, or a combination thereof, in amounts sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of and each installment of interest on the Notes on the stated maturity of such principal or installment of interest in accordance with the terms of the Indenture and the Notes;
 - (ii) in the case of an election of Defeasance of the Notes, the Company must deliver to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (ii) since the date of the Indenture there has been a change in the applicable U.S. federal income tax law or the interpretation thereof, in either case to the effect that, and based thereon, the Opinion of Counsel shall confirm that, the Holders will not recognize gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred;
 - (iii) in the case of a Covenant Defeasance, the Company must deliver to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize gain or loss for U.S. federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same time as would have been the case if such deposit and Covenant Defeasance had not occurred;
 - (iv) no Default or Event of Default, or event or condition that with the giving of notice, the lapse of time or failure to satisfy certain specified conditions, or any combination thereof, would become an Event of Default, including, with respect to certain events of bankruptcy or insolvency, has occurred and is continuing with respect to the Notes, at any time during the period ending on the 121st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);
 - (v) the Company shall deliver to the Trustee an Opinion of Counsel to the effect that payment of amounts deposited in trust with the Trustee will not be subject to future taxes, duties, fines, penalties, assessments or other governmental charges imposed, a Taxing Jurisdiction, except to the extent that Additional Amounts in respect thereof shall have been deposited in trust with the Trustee;
 - (vi) the Company shall deliver to the Trustee an Opinion of Counsel to the effect that such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitutes a default under, any other agreement or instrument to which the Company is a party or by which it is bound;
 - (vii) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that all conditions precedent provided for relating to either the Defeasance or the Covenant Defeasance, as the case may be, have been complied with; and
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- (viii) such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an Investment Company as defined under the Investment Company Act of 1940, as amended.

The Trustee

The Bank of New York Mellon is the Trustee under the Indenture and has been appointed by the Company as Registrar and Paying Agent with respect to the Notes. The Company may have normal banking relationships with The Bank of New York Mellon in the ordinary course of business. The address of the Trustee is 240 Greenwich Street, Floor 7 East, New York, New York 10286, Attn: Corporate Trust Department - Global Finance Unit.

Paying Agents; Transfer Agents; Registrar

The Company has initially appointed the Trustee as Paying Agent, Registrar and Transfer Agent. The Company may at any time appoint new Paying Agents, Transfer Agents and Registrars. However, the Company will at all times maintain a Paying Agent in New York City until the Notes are paid.

Notices

The Company will mail notices to the registered address of the Holders as provided in the Note register. So long as the Depositary, or its nominees, are the registered Holder of the Global Notes, as defined below, each Person owning a beneficial interest in a Global Note, as defined below, must rely on the procedures of the Depositary to receive notices provided to the Depositary. Each Person owning a beneficial interest in a Global Note who is not a participant in the Depositary must rely on the procedures of the participant (including Euroclear, Clearstream or LatinClear) through which the Person owns its interest in the Global Note to receive notices provided to the Depositary.

Governing Law

The Indenture and the Notes are governed in all respects by the laws of the State of New York.

Jurisdiction

The Company has consented to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York or any New York State Court (in either case sitting in New York County, New York), and any appellate court from any thereof. The Company has appointed [] as its authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any United States Federal Court sitting, in each case in New York County, New York in connection with the Indenture or the Notes.

Waiver of Immunities

To the extent that the Company may in any jurisdiction claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the Indenture and the Notes and to the extent that in any jurisdiction there may be immunity attributed to the Company or its assets, whether or not claimed, the Company has irrevocably agreed not to claim, and irrevocably waives, the immunity to the full extent permitted by law.

Nevertheless, 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.

Currency Rate Indemnity

The Company has agreed that, it will indemnify the Trustee and the Holders and keep them indemnified against:

- (i) in the case the Company does not pay of any amount due to the Trustee, or any Holder, under the Indenture, any loss or damage incurred by any of them arising by reason of any variation between the rates of exchange used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the us; and
- (ii) any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the local currency equivalent of the amounts due or contingently due under the Indenture or in respect of the Notes is calculated for the purposes of the bankruptcy, insolvency or liquidation of the Company, and (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be increased or reduced by any variation in rates of exchange occurring between the said final date and the date of any bankruptcy, insolvency or liquidation or any distribution of assets in connection therewith.

The Company also has agreed that if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency (the “Judgment Currency”) other than U.S. dollars (the “Denomination Currency”), the Company will indemnify the Trustee and the relevant Holder against any deficiency arising from any variation in rates of exchange between the date as of which the Denomination Currency is notionally converted into the Judgment Currency for the purposes of the judgment or order and the date of actual payment. These indemnities will constitute separate and independent obligations from its other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the Notes.

Form, Denomination and Registration

The Notes initially offered and sold in reliance upon the exemption from registration requirement of the Securities Act provided by Section 4(a)(2) thereof will be initially represented by one or more Global Notes, in definitive, fully registered book entry form without interest coupons (the “Restricted Global Note”) which will be registered in the name of a nominee of the Depositary and deposited on behalf of the purchasers of the Notes.

Notes offered and sold in reliance on Regulation S will be represented by one or more Global Notes without interest coupons in definitive, fully registered book-entry form (the “Regulation S Global Note” together with the Restricted Global Note, the “Global Notes”) which will be registered in the name of a nominee of the Depositary, for the respective accounts at the Depositary of Euroclear, and Clearstream and deposited on behalf of the purchasers of the Notes represented thereby with a custodian for the Depositary for credit to the respective accounts of such purchasers (or to such other accounts as they may direct) at the Depositary. Beneficial interests in the Regulation S Global Note will be represented through book-entry accounts of financial institutions acting on behalf of owners as direct and indirect participants in Euroclear or Clearstream for credit to the respective accounts of such purchasers (or to such other accounts as they may direct) at Euroclear or Clearstream.

The Notes may be issued in the form of (a) physical, non-global, Notes (referred to as “Physical Notes”) under the circumstances described in this section or (b) one or more Global Notes. Physical Notes shall be registered in the name or names of such Persons and for the principal amounts as the Company may request. The Company initially appoints the Depositary to act as depositary for the Restricted Global Note and the Regulation S Global Note. Notes issued in the form of a Global Note shall be registered in the name of the Depositary or its nominee. The Trustee, as custodian for the Depositary (“Custodian”), will act as custodian of each Global Note for the Depositary or appoint a sub custodian to act in such capacity. So long as the Depositary or its respective nominees are the registered owner of a Global Note, it shall be considered the Holder of the Notes represented thereby for all purposes under the Indenture and under a

Global Note. None of the Company, the Trustee or any Authorized Agent shall have any responsibility or liability for any aspect of the records relating to or payments made by the Depositary or its nominees, on account of beneficial interests in a Global Note, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests representing any Notes held by the Depositary or its nominees. Interests in the Global Notes shall be transferred on DTC's book entry settlement system.

In either case the Notes shall be issued in the form of beneficial interests in one or more Global Notes in minimum denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof. Any Physical Notes shall not be permitted to be traded through the facilities of DTC, Euroclear or Clearstream, except in connection with a transfer of a Physical Note to a transferee that takes delivery in the form of beneficial interests in a Global Note pursuant to an exemption from the registration requirements of the Securities Act.

Beneficial interests in the Regulation S Global Note may be held in Panama through Central Latinoamericana de Valores, S.A. ("LatinClear"). LatinClear is a participant in Clearstream. Subject to the transfer restrictions discussed below, transfers of beneficial interests in the Regulation S Global Note may be made (i) among LatinClear participants or (ii) from a LatinClear participant to a non LatinClear participant through Clearstream.

The Company has agreed to maintain a Paying Agent, Registrar and Transfer Agent in the City of New York. The Company has initially appointed the Trustee at its corporate trust office as Paying Agent. The Registrar, acting as Transfer Agent, will keep a register, subject to such reasonable regulations as the Company may prescribe.

Global Notes

The Company expects that pursuant to procedures established by the Depositary (a) upon deposit of the Global Notes, the Depositary or its nominees will credit on its internal system portions of the Global Notes to the respective accounts of Persons who have accounts therewith and (b) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depositary and its nominees (with respect to interests of participants as defined below) and the records of participants (with respect to interests of Persons other than participants). Except as otherwise described herein, investors may hold their interests in a Global Note directly through the Depositary only if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their interests in the Regulation S Global Note directly through the Depositary if they are participants in such system, or indirectly through organizations, which are participants in such system. So long as the Depositary or its nominees are the registered owner of any Global Notes, it shall be considered the Holder represented by the Global Notes for all purposes under the Indenture and the Notes. No beneficial owner of an interest in any Note will be able to transfer such interest except through the book-entry system maintained by the Depositary in compliance with the applicable procedures of the Depositary and its direct or indirect participants (including Euroclear, Clearstream or LatinClear"), in addition to those provided for under the Indenture (the "Applicable Procedures").

Payments of principal of and interest (including Additional Amounts) on the Global Notes will be made to the Depositary or its nominees, as the case may be, as the registered owner thereof. None of the Company, the Trustee or any Authorized Agent under the Indenture will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests representing any Notes held by the Depositary or its nominees.

The Company expects that the Depositary or its nominee, upon receipt of any payment of principal of or premium and interest (including Additional Amounts) on a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the Depositary or its nominee.

Payment to owners of beneficial interests in a Global Note held through such participant will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants of the Depositary will be effected in the ordinary way in accordance with the Depositary rules and will be settled in same day funds. Transfers between participants in, Euroclear, Clearstream or LatinClear will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Transfers by an owner of a beneficial interest in the Restricted Global Note to a transferee who wishes to hold such interest through the Regulation S Global Note will be made in accordance with Applicable Procedures and only upon receipt by the Trustee of a certification to the effect that such transfer is being made in accordance with Regulation S.

Transfers by an owner of a beneficial interest in the Regulation S Global Note to a transferee who wishes to hold such interest through the Restricted Global Note will be made in accordance with Applicable Procedures.

Transfers of Restricted Notes that are Physical Notes to a Person who will hold a beneficial interest in the form of a Regulation S Global Note will be made only in accordance with the Applicable Procedures and upon receipt by the Trustee of a written certification in the form provided in the Indenture to the effect that such transfer is being made in accordance with Regulation S. Transfers of Restricted Notes that are Physical Notes to a Person who will hold a beneficial interest in the form of a Restricted Global Note will be made only in accordance with the Applicable Procedures and upon receipt by the Trustee of a written certification in the form provided in the Indenture to the effect that such transfer is being made to a “qualified institutional buyer” within the meaning of Rule 144A of the Securities Act.

Any beneficial interest in a Global Note that is transferred to a Person who wishes to hold such interest in the form of an interest in the other Global Note will, upon transfer, cease to have an interest in the first Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note.

The Company expects that the Depositary and its nominees, will take any action permitted to be taken by a Holder (including the presentation of Notes for exchange) only at the direction of a participant to whom interests in the applicable Global Notes are credited and only in respect of the aggregate principal amount of Notes as to which such participant has given such direction. However, if there is an Event of Default under the Indenture and Holders representing more than 50% of the aggregate principal amount of the outstanding Notes have made a written request to the Depositary, the Depositary and its nominees will exchange the applicable Global Note for Physical Notes (as defined below), which it will distribute to participants and which will be legended to the extent set forth under the Indenture.

Although the Depositary and its nominees are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among the participants of the Depositary they are under no obligation to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Company, the Trustee or any Authorized Agent will have any responsibility for the performance by the Depositary or its nominees, the participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Physical Notes

Interests in the Global Notes will be exchangeable or transferable, as the case may be, for Physical Notes if (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the Global Notes and the Company is unable to appoint a qualified successor, or the Depositary ceases to be a clearing agency registered under the Exchange Act, (ii) the Company, at its option, elects to terminate the book entry system through a Depositary or (iii) after the occurrence and continuance of an Event of

Default, Holders representing more than 50% of the aggregate principal amount of the outstanding Notes advise the Trustee through the Depositary in writing that the continuation of the book-entry system through the Depositary is no longer in such owner's best interest.

Settlement of the Notes

The Notes will be registered with the SMV and will be offered by the Company through the Latin American Exchange in a public auction process. As a result, on the date of such public auction (the "Local Trading Date"), the initial purchasers of the Notes (the "Purchasers") will submit a bid to purchase the Notes through the Latin American Exchange.

At the chosen trading session on the date in which we offer the Notes through the Latin American Exchange, a trading session in respect of the Notes will be opened, on the one hand, for each person registered as a member of the Latin American Exchange (each, a "Local Broker") as potential purchasers of the Notes, and, on the other hand, for us as seller of the Notes (the "Panamanian Public Auction"). The first session of the primary market takes place between 8:00 a.m. and 9:00 a.m. (Panama time) and is solely available on the Latin American Exchange for certain issuances of securities in respect of which settlement takes place totally or partially in the international markets, while the regular trading session takes place between 10:00 a.m. and 3:00 p.m. (Panama time). During this period, any Local Broker will be permitted to submit a bid to purchase the Notes and we will be permitted to present our offer to sell the Notes on the Latin American Exchange. Any such bids to purchase the Notes are required to be for the full principal amount of the offering as they will be made as a "whole or none" order (WON) under Latin American Exchange regulation. During the applicable trading session on the same date, the Purchasers will submit their bid to purchase the totality of the Notes through BG Valores S.A.

If the Purchasers will not have placed and secured the highest (and in case of equality, earliest) bid price for the Notes, the Company will withdraw any offer to sell the Notes on the issue date on the Latin American Exchange and any such offer will immediately be withdrawn and cancelled and be of no further force or effect.

For purposes of listing the Notes with the Latin American Exchange, prior to the issuance of the Global Notes, the Company will issue one or more global temporary notes on the Local Trading Date (the "Temporary Notes") and deposit them with LatinClear. Upon issuance of the Global Notes, the Temporary Notes will, pursuant to their terms and the terms in the Indenture, be immediately deemed without effect and will be replaced by the Global Notes.

Replacement, Exchange and Transfer of Notes

If a Note becomes mutilated, destroyed, lost or stolen, and is rendered to the Trustee, the Company may issue, and the Trustee will authenticate and deliver, a substitute Note in replacement. In each case, the affected Holder will be required to furnish to the Company, the Trustee and certain other specified parties an indemnity under which it will agree to pay the Company, the Trustee and certain other specified parties for any losses they may suffer relating to the Note that was mutilated, destroyed, lost or stolen. The Company and the Trustee may also require that the affected Holder present other documents or proof. The affected Holder will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, destroyed, lost or stolen Note.

Under certain limited circumstances, beneficial interests in the Global Note may be exchanged for Physical Notes. If the Company issues Physical Notes, a Holder of such Physical Note may present its Notes for exchange with Notes of a different authorized denomination, together with a written request for an exchange, at the Company's office or agency designated for such purpose in the City of New York.

The Company would issue the Physical Notes for such beneficial interests in the Global Note in denominations of US\$100,000 or integral multiples of \$1,000 in excess thereof, and would issue them in registered form only, without interest coupons. Any Physical Note issued in exchange for an interest in the Global Note will bear the legend restricting transfer that is borne by such Global Note. In connection with

any such exchange, an appropriate adjustment will be made in the records of the Registrar to reflect a decrease in the principal amount of the relevant Global Note. The procedures for payment and registration of transfer applicable to any Physical Note that may be issued in the future are set forth in the Indenture.

In addition, the Holder of any Physical Note may transfer such Physical Note, in whole or in part, by surrendering it at any such office or agency together with an executed instrument of assignment. Each new Physical Note issued in connection with a transfer of one or more Physical Notes will be available for delivery from the Trustee within five Business Days after receipt by the Trustee of the relevant original Physical Note or Physical Notes and the relevant executed instrument of assignment. Transfers of the Physical Notes will be effected without charge by or on behalf of the Company, the Trustee or any Authorized Agent, but only upon payment (or the giving of such indemnity as the Company, the Trustee or any Authorized Agent, as applicable, may require in respect) of any tax or other governmental charges, which may be imposed in relation thereto.

The Company will not charge the Holders for the costs and expenses associated with the exchange, transfer or registration of transfer of the Notes. The Company may, however, charge the Holders for any tax or other governmental charges. The Company may reject any request for an exchange or registration of transfer of any Note (i) made within 15 calendar days of the giving of a notice of redemption of Notes or (ii) made between any regular record date and the next interest payment date.

Certain Definitions

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary or at the time it merges or consolidates with the Company or any Subsidiary or is assumed in connection with the acquisition of assets from such Person, in each case not Incurred in contemplation of such transaction. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Subsidiary or at the time it merges or consolidates with the Company or a Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"Affected Notes" has the meaning set forth in Early Redemption in Connection with a Noteholder Sanctions Event Section.

"Applicable Law" shall mean as to any Person any law, executive order, decree, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person and/or any of its property or to which such Person and/or any of its property is subject.

"Applicable Procedures" has the meaning set forth in *Redemption* Section.

"Asset Acquisition" means:

- (i) Investment of the Company or of any Subsidiary in any other Person pursuant to which such Person will become a Subsidiary, or will be merged with or into the Company or any Subsidiary; or
- (ii) acquisition by the Company or of any Subsidiary of the assets of any Person (other than one of its Subsidiaries) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

"Asset Sale" means any direct or indirect sale, disposition, issuance, conveyance, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a "disposition") made by the Company or any Subsidiary of:

- (i) any Capital Stock of any Subsidiary; or
 - (ii) any of the property or assets of the Company (other than cash, Cash Equivalents or Capital Stock other than the Company's Capital Stock) or of any Subsidiary;
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Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

- (i) a disposition of assets (including obsolete or worn-out equipment) in the ordinary course of business (including the disposition of current assets (as determined in accordance with IFRS) received in exchange for services provided);
- (ii) dispositions in any of the Company's fiscal years, in a single or series of related transactions, of assets with a Fair Market Value not to exceed US\$10.0 million in the aggregate;
- (iii) a disposition or transfer of assets between or among the Company and its Subsidiaries, including a Person that is or will become a Subsidiary immediately after the disposition;
- (iv) an issuance or sale of Capital Stock by any Subsidiary to the Company or to any other Subsidiary;
- (v) a disposition of accounts receivable in connection with a Receivables Transaction;
- (vi) any sale of assets received by the Company or any Subsidiary upon the foreclosure on a Lien in favor of the Company or of any Subsidiary;
- (vii) the creation of a Lien not prohibited by the Indenture (but not the sale of property subject to a Lien);
- (viii) the surrender or waiver of contract rights or settlement, release or surrender of contract, tort or other claims or statutory rights in connection with a settlement, as determined in good faith by the Board of Directors of the Company; and
- (ix) grants of licenses or sublicenses in the ordinary course of business to use the patents, copyright and other intellectual property of the Company or of any of the Subsidiaries to the extent such license does not interfere with the business of the Company or any Subsidiary.

"Asset Sale Transaction" means any Asset Sale and, whether or not constituting an Asset Sale, any sale or other disposition of Capital Stock.

"Authorized Representative" of the Company or any other Person means the person or persons authorized to act on behalf of such entity by its chief executive officer, president, chief operating officer, chief financial officer or any vice president or its Board of Directors or any other governing body of such entity.

"Blocked Person" means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

"Board of Directors" when used with respect to a corporation, means either the board of directors of such corporation or any duly authorized committee thereof to act for it, and when used with respect to a limited liability company, partnership or other entity other than a corporation, any Person or body authorized by the organizational documents or by the voting equity owners of such entity to act for them, including, in the case of a Panamanian corporation (*sociedad anónima*), such corporation's *junta directiva*.

"Business Day" means any day except a Saturday, a Sunday or a legal holiday or a day on which banking institutions (including, without limitation, the members of the Federal Reserve System) are authorized or required by law, regulation or executive order to close in the City of New York or Panama City, Panama.

"Called Principal" means, with respect to any Note, the principal of such Note that is to be redeemed pursuant to an optional early redemption or has become or is declared to be immediately due and payable pursuant to the Indenture, as the context requires.

“Capitalized Lease Obligations” means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under IFRS. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with IFRS.

“Capital Stock” means:

- (i) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;
- (ii) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and
- (iii) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (i) or (ii) above.

“Cash Equivalents” means: (i) currency issued by any authority (including, for the avoidance of doubt, any obligation issued by an authority that is legal tender for the payment of debts, or circulates like, and is generally accepted as, currency, and demand deposits with financial institutions), and (ii) all instruments (including, for the avoidance of doubt, money market investments, marketable securities, and checks) by whomever issued, which shall be convertible into currency within seven days of issuance.

“Clearstream” means Clearstream Banking, société anonyme, and any successor thereto.

“Commodity Agreement” means any commodity or raw material futures contract, commodity or raw materials option, or any other agreement designed to protect against or manage exposure to fluctuations in commodity or raw materials prices, including but not limited to natural gas prices.

“Common Stock” of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Closing Date or issued after the Closing Date, and includes, without limitation, all series and classes of such common equity interests.

“Concession Contract” means the agreement executed between the Company and the ASEP (formerly the ERSP), on September 12, 2013, which governs the Company’s electricity distribution business.

“Consolidated” shall refer to the consolidated accounts of the Company and those of the Subsidiaries in accordance with IFRS consistently applied.

“Consolidated EBITDA” means, for any Person for any period, Consolidated Net Income for such Person for such period, plus the following, without duplication, to the extent deducted or added in calculating such Consolidated Net Income:

- (i) Consolidated Income Tax Expense for such Person for such period;
 - (ii) Consolidated Interest Expense for such Person for such period;
 - (iii) Consolidated Non-cash Charges for such Person for such period;
 - (iv) net after-tax losses from Asset Sale Transactions or abandonment or reserves relating thereto for such period;
 - (v) any income or loss from extraordinary transactions;
 - (vi) the portion of the net income of any Subsidiary of such Person which was deducted in calculating Consolidated Net Income for such period as a result of minority interests in such Subsidiary;
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- (vii) the portion of the net income of any Subsidiary of such Person that was excluded pursuant to clause (iv) of the definition of Consolidated Net Income due to customary corporate law requirements in connection with the payment of dividends or distributions;
- (viii) all fees, costs and expenses incurred in connection with the offering of the Notes; and
- (ix) any income or loss from discontinued operations.

less (x) all other non-cash credits and gains increasing Consolidated Net Income for such Person for such period, other than any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required under IFRS; and (y) all cash payments made by such Person and its Subsidiaries during such period relating to non-cash charges that were added back in determining Consolidated EBITDA in any prior period.

“Consolidated Fixed Charge Coverage Ratio” means, for any Person as of any date of determination, the ratio of the aggregate amount of Consolidated EBITDA of such Person for the Four Quarter Period to Consolidated Fixed Charges for such Person for the Four Quarter Period. For purposes of this definition, “Consolidated EBITDA” and “Consolidated Fixed Charges” will be calculated after giving effect on a pro forma basis as determined in the good faith judgment of the chief financial officer of the Company, for the period of such calculation to:

- (i) the Incurrence or repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries, and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period or at any time subsequent to the last day of such Four Quarter Period and on or prior to such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period;
 - (ii) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries, including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period including any pro forma expense and cost reductions, synergies and other operating improvements that have occurred or are reasonably expected to occur and are reasonably the basis of pro forma adjustment (regardless of whether such cost savings, synergies or operating improvements could then be reflected in pro forma financial statements in accordance with Regulation S-X under the Securities Act);
 - (iii) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the date of determination, will be excluded;
 - (iv) the Consolidated Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the date of determination, will be excluded, but only to the extent that the obligations giving rise to such Consolidated Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries following the date of determination;
 - (v) any Person that is a Subsidiary on the date of determination or that becomes a Subsidiary on the date of determination will be deemed to have been a Subsidiary at all times during such four fiscal quarters; and
 - (vi) any Person that is not a Subsidiary on the date of determination or would cease to be a Subsidiary on the date of determination will be deemed not to have been a Subsidiary at any time during such four fiscal quarters.
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Furthermore, in calculating “Consolidated Fixed Charges” for purposes of determining the denominator (but not the numerator) of this “Consolidated Fixed Charge Coverage Ratio,”

- (a) interest on outstanding Indebtedness determined on a fluctuating basis as of the date of determination and which will continue to be so determined thereafter will be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such date of determination; provided that any interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by Hedging Obligations, will be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements; and
- (b) if interest on any Indebtedness actually Incurred on such date of determination may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on such date of determination will be deemed to have been in effect during the Four Quarter Period.

“Consolidated Fixed Charges” means for any Person for any period, the sum, without duplication of:

- (i) Consolidated Interest Expense for such Person for such period, plus
- (ii) the amount of all cash and non-cash dividend payments on any series of Preferred Stock of such Person or any Subsidiary of such Person paid, accrued or scheduled to be paid or accrued during such period, excluding dividend payments on Preferred Stock paid, accrued or scheduled to be paid to such Person or another Subsidiary.

“Consolidated Income Tax Expense” means, with respect to any Person for any period, the provision for all applicable federal, state and local income taxes payable by such Person and its Subsidiaries for such period as determined on a consolidated basis in accordance with IFRS.

“Consolidated Interest Expense” means, for any Person for any period, the sum of, without duplication, determined on a consolidated basis in accordance with IFRS:

- (i) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries for such period determined on a consolidated basis in accordance with IFRS, including, without limitation (whether or not interest expense in accordance with IFRS):
 - (a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries in the form of additional Indebtedness (but excluding any amortization of deferred financing and debt issuance costs),
 - (b) the net costs under Hedging Obligations (but excluding amortization of fees),
 - (c) all capitalized comprehensive result of financing,
 - (d) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances, and
 - (e) any interest expense paid in respect of Indebtedness of another Person pursuant to a Guarantee by such Person or one of its Subsidiaries or secured by a Lien on the assets of such Person or one of its Subsidiaries; and
- (ii) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries during such period.

“Consolidated Net Income” means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with IFRS; provided that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

- (i) net after-tax gains from non-ordinary course Asset Sale Transactions or abandonments or reserves relating thereto;
- (ii) net after-tax items classified as extraordinary gains or losses;
- (iii) the net income (or loss) of any Person, other than such Person and any Subsidiary of such Person; except that the net income (but not loss) of any Person that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions actually paid in cash to the Company or any Subsidiary;
- (iv) the net income (but not loss) of any Subsidiary of such Person to the extent that a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary or any law, regulation, agreement or judgment applicable to any such distribution;
- (v) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Closing Date; and
- (vi) any gain (or loss) from foreign exchange translation or change in net monetary position.

"Consolidated Net Worth" of any Person means the consolidated stockholders' equity of such Person, determined on a consolidated basis in accordance with IFRS, less (without duplication) amounts attributable to Disqualified Capital Stock of such Person.

"Consolidated Non-cash Charges" means, for any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries for such period, determined on a consolidated basis in accordance with IFRS (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense that is a current asset paid in a prior period).

"Consolidated Total Assets" means, at any time, the total assets of the Company and its consolidated Subsidiaries appearing on its most recent annual Consolidated Financial Statements or its most recent quarterly Consolidated Financial Statements if prepared as at a date subsequent thereto.

"Consolidated Total Indebtedness" means, as of any date and with respect to the Company, its Consolidated Indebtedness as of such date and of its Subsidiaries; provided, however, that Indebtedness for purposes of this definition shall not include any Indebtedness described in clauses (iv), (v) (to the extent such Indebtedness is either between Subsidiaries or between the Company and a Subsidiary where the Subsidiary is the obligor), (vi), (vii), (x), (xi) (xiii) and (xiv) (to the extent relating to any Indebtedness in clauses (iv), (vi), (vii) (x) and (xiii)) of the definition of Permitted Indebtedness.

"Consolidated Total Indebtedness to Consolidated EBITDA Ratio" means, for any Person as of any date of determination, the ratio of Consolidated Total Indebtedness as of such date to Consolidated EBITDA for the Four Quarter Period, provided, that:

- (i) if the Company or any Subsidiary has:
 - (a) Incurred any Indebtedness during the Four Quarter Period that remains outstanding on the date of the transaction giving rise to the need to calculate the Consolidated Total Indebtedness to Consolidated EBITDA Ratio or if the transaction giving rise to the need to calculate the Consolidated Total Indebtedness to Consolidated EBITDA Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Total Indebtedness for such Four Quarter Period shall be calculated on a pro forma basis as if such Indebtedness had been Incurred on the first day of such Four Quarter Period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the day of such calculation will be deemed to be: (a) the average daily

balance of such Indebtedness during such Four Quarter Period or such shorter period for which such facility was outstanding, or (b) if such facility was created after the end of such Four Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

- (b) repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such Four Quarter Period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case, other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Total Indebtedness to Consolidated EBITDA Ratio, Consolidated EBITDA for such Four Quarter Period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such Four Quarter Period and as if the Company or such Subsidiary had not earned the interest income actually earned during such Four Quarter Period in respect of cash or Cash Equivalents used to repay, repurchase, defease or otherwise discharge such Indebtedness.
- (ii) if since the beginning of such Four Quarter Period the Company or any Subsidiary shall have made any Asset Sale, then giving pro forma effect to such disposition during such Four Quarter Period on the Consolidated EBITDA;
- (iii) if since the beginning of such Four Quarter Period, the Company or any Subsidiary (by merger or otherwise) shall have made an Investment in any Person that is merged with or into the Company or any of its Subsidiaries (or any Person that becomes a Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, then giving pro forma effect to such Investment or acquisition on the Consolidated EBITDA for such Four Quarter Period, any such pro forma calculation may include adjustments appropriate to reflect, without duplication, any such acquisition to the extent such adjustments may be reflected in the preparation of pro forma financial information in accordance with the requirements of IFRS and Article XI of Regulation S-X under the Exchange Act;
provided that such adjustments are set forth in an Officer's Certificate that states (i) the amount of such adjustment or adjustments, (ii) that such adjustment or adjustments are based on the reasonable good faith beliefs of the officer executing such Officer's Certificate at the time of such execution and (iii) that any related Incurrence of Indebtedness is permitted pursuant to the Indenture; and
- (iv) if since the beginning of such Four Quarter Period, any Person (that subsequently became a Subsidiary or was merged with or into the Company or any Subsidiary since the beginning of such Four Quarter Period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (ii) or (iii) above if made by the Company or a Subsidiary during such Four Quarter Period, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto as if such Asset Sale, Investment or acquisition of assets occurred on the first day of such Four Quarter Period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets and the amount of income or earnings relating thereto, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire Four Quarter Period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term as at the date of determination in excess of twelve months).

"Controlled Entity" means (i) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates.

"Currency Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"Depository" means the depository of each Global Note, which initially will be DTC, a nominee of DTC or such other depository as may be designated with respect to the Notes issuable or issued in whole or in part in the form of one or more Global Notes, and, if at any time there is more than one depository, "Depository" as used with respect to the Notes shall mean the Depository with respect to the Global Notes.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the Notes; *provided*, however, that any Capital Stock that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the final maturity of the Notes shall not constitute Disqualified Capital Stock if any such requirement only becomes operative after compliance with such terms applicable to the Notes, including the purchase of any Notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Capital Stock is to be determined pursuant to the Indenture; provided, however, that if such Disqualified Capital Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Capital Stock as reflected in the most recent financial statements of such Person.

"Eligible Acquisition or Capital Investment Period" means a period of Four Fiscal Quarters during which the Company or any Subsidiary engages in the acquisition of assets that the Company reasonably believes are in furtherance of its business or businesses conducted by its Subsidiaries and the strategic growth thereof during which the Consolidated Total Indebtedness to Consolidated EBITDA Ratio may exceed 4.00x (but not 4.50x), subject to the provisions set forth under "- Consolidated Total Indebtedness to Consolidated EBITDA Ratio" (including the MFL Requirement).

"Existing Note Facility" means the 4.73% Senior Unsecured Notes due December 2027, issued pursuant to that certain Note Purchase Agreement dated December 6, 2012 by and among the Company and the purchasers party thereto and that certain Indenture dated as of December 11, 2012 by and between the Company and The Bank of New York Mellon as Trustee, Paying Agent, Transfer Agent and Registrar.

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System, and any successor thereto.

"Fair Market Value" means, with respect to any property or asset, the price, which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing buyer, neither of

whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined, except as otherwise provided, (a) if such property or asset has a Fair Market Value of less than US\$10.0 million, by any of the officers of the Company or (b) if such property or asset has a Fair Market Value in excess of US\$10.0 million, by a majority of the Board of Directors of the Company and evidenced by a resolution of the Board of Directors of the Company, dated within 30 days of the relevant transaction, delivered to the Trustee; provided that, if such property or asset has a Fair Market Value equal to or greater than US\$25.0 million and the seller or buyer of such property or asset is an Affiliate of the Company, the Fair Market Value of such property or asset will be determined by a majority of the directors on the board of the Company who are not representatives of such Affiliate (so long as there must be at least one such director) in their reasonable good-faith judgment based on full disclosure of all relevant facts and circumstances.

"Four Quarter Period" means the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination.

"Governmental Authority" means any regulatory, administrative or other legal body, any court, tribunal or authority or any public legal entity or public agency of Panama or the U.S. or any other jurisdiction whether created by federal, state, provincial, municipal or local government, or any other legal entity now existing or hereafter created, or now or hereafter controlled, directly or indirectly, by any public legal entity or public agency of any of the foregoing.

"Guarantee" means as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any indebtedness or other obligation payable or performable by a Primary Obligor in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity level or income or cash flow of the Primary Obligor so as to enable the Primary Obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee loss in respect thereof (in whole or in part), it being understood that in no event shall a Guarantee include (x) the obligation of the Company under Applicable Law to return to any customer amounts deposited by such customer with the Company as security for payment for its purchases of electricity or other services provided by the Company or (y) the contingent reimbursement or indemnity obligation of the Company in respect of any payments made by third parties pursuant to any performance bond or similar instrument arranged for by the Company in connection with the operation of its business, (b) Lien on any asset of such person securing any Indebtedness or other obligation of any other person whether or not such Indebtedness or other obligation is assumed by such person (or any right contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien) and (c) the amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Holder" means a Person in whose name a Note is registered in the Note register.

"IFRS" means the International Financial Reporting Standards promulgated from time to time by the International Accounting Standards Board or any successor institution ("IASB") (which includes standards and interpretations approved by the IASB and International Accounting Standards issued under its previous constitutions), together with its pronouncements thereon from time to time.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect

of such Indebtedness or other obligation on the balance sheet of such Person (and “Incurrence,” and “Incurred” will have meanings correlative to the preceding).

“Indebtedness” means, with respect to any Person, without duplication:

- (i) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;
- (ii) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (iii) all Capitalized Lease Obligations of such Person;
- (iv) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all payment obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities accounted for as current liabilities (in accordance with IFRS) arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith);
- (v) all obligations of such Person in respect of letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;
- (vi) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (i) through (v) above and clauses (vii) through (x) below;
- (vii) all Indebtedness of any other Person of the type referred to in clauses (i) through (vi) above which is secured by any Lien on any property or asset of the first Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;
- (viii) all obligations under Hedging Obligations of such Person;
- (ix) to the extent not otherwise included in this definition, the Receivables Transaction Amount outstanding relating to any Receivables Transaction; and
- (x) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any.

“Independent Financial Advisor” means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Board of Directors of the Company, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

“Intercompany Lien” means any Liens securing intercompany Indebtedness between the Company or any Subsidiary or any person or entity that, directly or indirectly (including beneficially) controls more than 51% of any class of outstanding equity securities of the Company or securities entitled to the payment of dividends or similar distributions provided that all such Indebtedness is expressly subordinated to the liability of the Company in respect of the Notes for so long as the Notes shall be outstanding.

“Interest Rate Agreement” of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, futures, options, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"Investment" means, with respect to any Person, any:

- (i) direct or indirect loan, advance (other than advances to customers or suppliers in the ordinary course of business that are recorded as accounts receivable, pre-paid expenses or deposits on such Person's balance sheet) or other extension of credit (including, without limitation, a Guarantee) to any other Person;
- (ii) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or
- (iii) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Invest," "Investing" and "Invested" will have corresponding meanings.

"Latin American Exchange" means the Bolsa Latinoamericana de Valores, S.A.

"Lien" means any mortgage, deed of trust, lien (statutory or otherwise), pledge, assignment (including any assignment of rights to receive payments of money other than in connection with the sale of such rights), adverse claim charge, security interest or charge or encumbrance of any kind (including any conditional sale or other title retention agreement or capital lease having substantially the same economic effect), and any agreement to give any of the foregoing.

"Majority of the Holders" means Holders of more than 50% in aggregate principal amount of the Notes then outstanding.

"Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may not in any event be less than zero.

"Material Subsidiary" means any of the subsidiaries of the Company, which, on any given date of determination, accounts for more than 5% of the Consolidated Total Assets of the Company, as such Consolidated Total Assets are set forth on, its most recent Consolidated Financial Statements prepared in accordance with the Indenture.

"Note Rate" is the rate of interest to be paid on the Notes as provided for in the authenticated form thereof.

"Noteholder Sanctions Event" means, with respect to any Affected Noteholder, such Affected Noteholder or any of its affiliates being in violation of or subject to sanctions (a) under any U.S. Economic Sanctions Laws as a result of the Company or any Controlled Entity becoming a Blocked Person or, directly or indirectly, having any investment in or engaging in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Notes) with any Blocked Person or (b) under any similar laws, regulations or orders adopted by any State within the United States as a result of the name of the Company or any Controlled Entity appearing on a State Sanctions List.

"Permitted Acquisition Indebtedness" means the Indebtedness of the Company or of any of its Subsidiaries to the extent that such Indebtedness was (i) Indebtedness of a Subsidiary prior to the date on which such Subsidiary became a Subsidiary of the Company, (ii) Indebtedness of a Person that was merged, consolidated or amalgamated into the Company or a Subsidiary, or (iii) assumed in connection with the acquisition of assets from a Person; provided that on the date such Subsidiary became a Subsidiary of the Company or the date such Person was merged, consolidated or amalgamated into the Company or a Subsidiary or the Indebtedness was assumed in connection with an Asset Acquisition, as applicable, after giving pro forma effect thereto, (a) the Consolidated Net Worth of the Company and its Subsidiaries would be greater than the Consolidated Net Worth immediately prior to such transaction, (b) the Company, would be permitted to incur at least US\$1.00 of additional indebtedness pursuant to "—Limitation on Incurrence

of Indebtedness” or (c) the Consolidated Fixed Charge Coverage Ratio of the Company would be equal to or better than its Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction.

“Permitted Investments” means:

- (i) Investments by the Company or any Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a Subsidiary;
- (ii) Investments by any Subsidiary in us;
- (iii) Investments in cash and Cash Equivalents;
- (iv) any extension, modification or renewal of any Investments existing as of the Closing Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Closing Date);
- (v) Investments received as a result of the bankruptcy or reorganization of any Person or a foreclosure, or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;
- (vi) Investments in the form of Hedging Obligations permitted under “—Limitation on Incurrence of Indebtedness”;
- (vii) prepayments and credits or advances to customers or suppliers in the ordinary course of business accounted for as current assets in accordance with IFRS;
- (viii) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers’ compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Subsidiary;
- (ix) receivables owing to the Company or any Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; and
- (x) Investments in connection with a Receivables Transaction; provided that such Investment in any such Person is in the form of any equity interest or interests in receivables and related assets generated by the Company or any Subsidiary and transferred to such Person in connection with a Receivables Transaction; provided that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later reallocate all or any portion of any Investment to, one or more of the above clauses (i) through (x) so that the entire Investment would be a Permitted Investment.

“Permitted Lien” means:

- (i) Liens existing at the time of issuance of the Notes and listed in the Indenture;
 - (ii) any Lien securing taxes, assessments and other governmental charges or levies, the payment of which is not yet due or payable, to the extent that nonpayment thereof shall be permitted, or is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as is required by IFRS shall have been made;
 - (iii) any Lien created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as is required by IFRS shall have been made;
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- (iv) any statutory Lien or Lien of a carrier, warehouseman, mechanic, materialman incurred in the ordinary course of business for a sum not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as is required by IFRS shall have been made or any easements, rights of use or way, restrictions, irregularities and other imperfections of title that do not, individually or in the aggregate, render title on the related property or asset unusable for the intended purpose of such property or asset;
 - (v) Liens securing performance of bids, tenders, leases and contracts in the ordinary course of business, statutory or regulatory obligations, surety or appeal bonds, performance bonds and other obligations of like nature incurred in the ordinary course of business and not securing Indebtedness for borrowed money;
 - (vi) leases, subleases, easements, rights-of-way, restrictions and other similar charges or encumbrances incidental to the Company's ownership of property or assets or its ordinary conduct of the business or a Subsidiary, and Liens incidental to minor survey exceptions and the like, provided that the aggregate of such Liens do not materially detract from the value of such property;
 - (vii) Intercompany Liens;
 - (viii) (a) any Lien on property or on rights relating thereto created to secure any rights granted with respect to such property in connection with the provision of all or a part of the purchase price or cost of the construction of such property created contemporaneously with, or within 180 days after, such acquisition or the completion of such construction, or (b) any Lien on property existing on such property at the time of the acquisition thereof for Indebtedness secured thereby not assumed by the Company or any of its Subsidiaries;
 - (ix) pledges or deposits by the Company or its Subsidiaries required of the Company under workers' compensation laws, unemployment insurance law or similar legislation, or leases to which the Company or any Subsidiary is a party, or deposits the Company is required to pledge to secure the public or statutory obligations of the Company, or deposits for the payment of rent, in each case incurred in the ordinary course of business;
 - (x) Liens securing Acquired Indebtedness Incurred in accordance with "—Limitation on Incurrence of Indebtedness" not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; provided that
 - (a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary;
 - (b) such Liens do not extend to or cover any of the property of the Company or of any Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became the Acquired Indebtedness of the Company or of a Subsidiary and are no more favorable to the Lien holders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary; and
 - (c) such Liens either individually or in the aggregate, shall not secure indebtedness having an aggregate principal amount in excess of 100% of the Fair Market Value of the related property;
 - (xi) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "—Limitation on Incurrence of Indebtedness" and that are secured by the same assets as secure such Hedging Obligations;
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- (xii) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations' in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (xiii) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;
- (xiv) any Lien that replaces, renews or extends one or more Liens in clauses (i) through (xiii) above, so long as such replacement Lien (a) must be created within 120 days after the earliest expiration of the Lien or Liens being replaced, renewed or extended, (b) must not secure Indebtedness in an amount exceeding the amount of Indebtedness secured by the Lien or Liens being replaced, renewed or extended and (c) must not attach to property or assets other than those to which the Lien or Liens being replaced, renewed or extended is or are attached; and
- (xv) Liens securing Indebtedness not otherwise permitted by clauses (i) through (xiv) above, provided that, immediately after giving effect thereto, (a) Indebtedness secured by Liens pursuant to this clause (xv) shall not in the aggregate exceed 10% of the Consolidated Total Assets, as determined based on the consolidated balance sheet of the Company as of the end of the most recent fiscal quarter ending at least 45 days prior to the date any such Lien shall be incurred, or (b) if the Company or any Subsidiary creates any Lien upon any of its property or assets, or any Subsidiary provides a Guarantee or otherwise becomes an obligor, in each case in favor of the lenders or other creditors who are a party to the its primary bank facilities and credit lines of any amount in excess of an aggregate amount outstanding on such bank facilities lines of \$20,000,000, the Company will make or cause to be made effective a provision whereby the Notes will be secured by such a Lien equally and ratably with any and all other Indebtedness thereby secured or if a Subsidiary has provided a Guarantee or has otherwise become an obligor under such debt, such Subsidiary shall provide a Guarantee to the Holders pursuant to documentation in form and substance acceptable to such Holders, provided that with respect to (b) such obligation shall be limited to amounts in excess of the aggregate amount of \$20,000,000.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or any nation or government, any state, province or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by HSBC Securities (USA) Inc. or Scotia Capital (USA) Inc., as applicable, as its prime rate in effect at its principal office in New York, New York. If HSBC Securities (USA) Inc. or Scotia Capital (USA) Inc. ceases to exist or to establish a prime rate from which the Prime Rate is determined, the Prime Rate shall instead be the prime rate reported in *The Wall Street Journal* (or the average prime rate if a high and a low prime rate are therein reported).

"Project Finance Indebtedness" means any obligation of a Subsidiary for borrowed money Incurred in connection with a project financing or similar transaction in all cases relating to the construction, development, or acquisition of tangible assets or facilities (and any intangible assets necessary in connection with the operation thereof) used in the ordinary course of such Subsidiary's business so long as (A) the sole legal recourse for collection of principal and interest on such obligation is against the specific property identified in the instruments evidencing or securing such obligation, (B) there shall expressly be no recourse in respect of any such obligation to the Company or any other Subsidiary thereof (or any of their respective assets and properties), and (C) the Company and its other Subsidiaries shall expressly have no liability with respect thereto.

"Purchase Money Indebtedness" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement, including related development costs, of any property (other than Capital Stock); provided, that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Receivables Transaction" means any securitization, factoring, discounting or similar financing transaction or series of transactions that may be entered into by the Company or any Subsidiary in the ordinary course of business pursuant to which the Company or any Subsidiary may sell, convey or otherwise transfer to any Person, or may grant a security interest in, any or receivables of the Company (whether now existing or arising in the future) or of any Subsidiary, and any assets related thereto, including all collateral securing such receivables, all contracts and all guarantees or other obligations in respect of such receivables, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with securitization, factoring or discounting involving receivables.

"Receivables Transaction Amount" means the amount of obligations outstanding under the legal documents entered into as part of a Receivables Transaction on any date of determination that would be characterized as principal if such Receivables Transaction were structured as a secured lending transaction rather than a purchase.

"Refinance" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to renew, extend, substitute, discharge, refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" will have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Company or of any Subsidiary issued to Refinance any of the other Indebtedness of the Company or of any Subsidiary so long as:

- (i) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);
 - (ii) such new Indebtedness has:
 - (a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and
 - (b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and
 - (iii) if the Indebtedness being Refinanced is:
 - (a) Indebtedness of the Company, then such Refinancing Indebtedness will be its Indebtedness, or
 - (b) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.
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"Reinvestment Yield" means, with respect to the Called Principal of any Note, the sum of (x) 0.50% (fifty basis points) plus (y) the yield to maturity implied by the "Ask Yield(s)" reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities ("Reported") having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the "Ask Yields" Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note. If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "Reinvestment Yield" means, with respect to the Called Principal of any Note, the sum of (x) 0.50% (fifty basis points) plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"Remaining Average Life" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date .

"Restricted Payment" means

- (i) any dividend, return on capital or distribution on or in respect of shares of Capital Stock of the Company or of any Subsidiary to holders of such Capital Stock, other than:
 - (a) dividends or distributions payable in the Qualified Capital Stock of the Company,
 - (b) dividends or distributions payable to the Company and/or a Subsidiary, or
 - (c) dividends, distributions or returns of capital made on a pro rata basis to the Company and its Subsidiaries, on the one hand, and the other holders of Capital Stock of a Subsidiary, on the other hand (or on a less than pro rata basis to any other holder);
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- (ii) the purchase, redemption or acquisition of Capital Stock of the Company or Capital Stock of a Subsidiary held by any of the Company's Affiliates, except for:
 - (a) Capital Stock held by the Company or a Subsidiary, or
 - (b) purchases, redemptions, acquisitions or retirements for value of Capital Stock on a pro rata basis from the Company and/or any Subsidiaries, on the one hand, and other holders of Capital Stock of a Subsidiary, on the other hand, according to their respective percentage ownership of the Capital Stock of such Subsidiary; or
- (iii) any principal payment on, purchase, redemption, defeasance, repayment or scheduled sinking payment with respect to any Subordinated Indebtedness, other than:
 - (a) any inter-company Indebtedness between or among the Company and or any Subsidiary, or
 - (b) the purchase, repurchase, redemption, defeasance or other acquisition of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person (other than to the extent such arrangement is between Subsidiaries or between the Company and a Subsidiary where the Subsidiary is the payment obligor) is a party providing for the leasing to the Company or a Subsidiary of any property, whether owned by the Company or any Subsidiary at the Closing Date or later acquired, which has been or is to be sold or transferred by the Company or such Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"Sanctions Redemption Date" has the meaning set forth in Early Redemption in Connection with a Noteholder Sanctions Event Section.

"Sanctions Redemption Offer" has the meaning set forth in Early Redemption in Connection with a Noteholder Sanctions Event Section.

"Sanctions Redemption Response Date" has the meaning set forth in Early Redemption in Connection with a Noteholder Sanctions Event Section.

"SEC" means the United States Securities and Exchange Commission, and any successor thereto.

"Senior Indebtedness" means the Notes and any other Indebtedness of the Company that ranks equal in right of payment with the Notes.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be redeemed pursuant to an optional early redemption or has become or is declared to be immediately due and payable pursuant to the Indenture, as the context requires.

"SMV" means the Panamanian Superintendency of Capital Markets (Superintendencia del Mercado de Valores de Panamá).

"State Sanctions List" means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"Subordinated Indebtedness" means, with respect to the Company or any Subsidiary, any Indebtedness of the Company or of such Subsidiary, as the case may be, which is expressly subordinated in right of payment to any Senior Indebtedness.

“Subsidiary” means, with respect to any Person, any other Person of which such Person owns, directly or indirectly:

- (i) more than 50% of the voting power of the other Person’s outstanding Voting Stock, or
- (ii) at least 50% of the voting power of the other Person’s Voting Stock as long as such other Person is required by IFRS to be consolidated with such Person for purposes of general financial reporting.

Unless otherwise specified, all references to a “Subsidiary” or to “Subsidiaries” in this Offering Memorandum shall refer to a Subsidiary or Subsidiaries of the Company.

“U.S. Economic Sanctions Laws” means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

“Voting Stock” with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years (calculated by the Company to the nearest one-twelfth) obtained by dividing:

- (i) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (ii) the sum of the products obtained by multiplying:
 - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
 - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

Section 16

Taxation – Panama

Taxation – Panama

Panamanian Tax Considerations

The following is a summary of the principal Panamanian income, stamp and certain other tax consequences in Panama resulting from the beneficial ownership and disposition of the notes by certain investors. This summary is based on the Panamanian Tax Code of 1956, as amended, other applicable tax laws, Law Decree No. 1 of 1999 (Restated and amended from time to time) (“Panama Securities Law”) and decrees and regulations promulgated thereunder, interpretative rulings and opinions issued by tax authorities, and judicial decisions, all as in effect on the date hereof. This summary is subject to changes in these laws, decrees, regulations, rulings, opinions and judicial decisions occurring after the date hereof, possibly with retroactive effect.

This summary is intended as a descriptive summary only and is not a complete analysis or listing of all potential Panamanian income, stamp and other tax consequences to noteholders. In particular, this summary does not address the tax treatment of investors that may be subject to special tax regimes or tax treaties. This summary is not intended as tax advice to any particular investor, nor does it purport to furnish information in the level of details as, or with attention to, an investor’s specific circumstances that would be provided by an investor’s own tax advisor.

Prospective purchasers of notes are urged to consult their own tax advisors as to the precise Panamanian and other tax consequences of acquiring, owning, and disposing of the notes.

Taxation of Interest

Interest payable on the Notes will be exempt from income tax or withholding requirements in Panama, provided that the Notes are registered with the SMV, and are initially placed on an exchange or through an organized market. The notes are registered with the SMV and will be placed through the Latin American Exchange. Accordingly, interest payments made on the Notes will be exempt from income tax or withholding requirements in Panama; provided, however, that there can be no assurance that these tax benefits will not be changed or revoked by the Panamanian Government in the future. Interest payments on Notes that are not initially placed on the Latin American Exchange are subject to a 5% income tax, which would have to be withheld by us.

Taxation of Dispositions

Upon registration of the Notes with the SMV, any capital gains realized by a Holder on the sale or other disposition of Notes will be exempt from income tax in Panama, provided that the sale or disposition of the Notes is made through an exchange or other organized market in Panama or outside of Panama. The listing and negotiation of the Notes has been authorized by the Latin American Exchange. Thus, any gains realized on the sale of the Notes on this exchange will be exempt from income tax in Panama.

If the notes are not sold through a securities exchange or another organized market, pursuant to article 701(e) of the Panamanian Tax Code of 1956, as amended, which is regulated by Executive Decree No. 170 of October 27 of 1993 (as amended by Executive Decree No. 135 of February 6, 2012), and Law No. 18 of June 19, 2006 (i) the seller will be subject to income tax in Panama on capital gains realized on the sale of the notes calculated at a fixed rate of ten percent (10%) on the gain realized, and; (ii) the buyer will be obligated to withhold from the seller an amount equal to five percent (5%) of the aggregate proceeds of the sale, as an advance in respect of the capital gains income tax payable by the seller, and the buyer will be required to send to the fiscal authorities the withheld amount within ten (10) business days following the date of withholding; (iii) the seller will have the option of considering the amount withheld by the buyer as definitive payment in full of the seller's obligation to pay income tax on capital gains; and (iv) in the event the amount withheld by the buyer is greater than the amount of capital gains income tax payable by the seller, that is, exceeding ten percent (10%) of the capital gain actually realized on the sale, the seller may file a sworn declaration before the tax authorities claiming a tax credit or refund in respect of the amounts paid in excess.

The capital gains income tax provisions of the Panamanian Tax Code of 1956 and its regulations do not provide an exemption from income tax in Panama with respect to capital gains on sales of notes outside Panama by holders not resident in Panama. Notwithstanding Law No. 18 of June 19, 2006, based on certain opinions issued by the *Dirección General de Ingresos*, or the Tax Authority, any capital gains realized by a holder of notes who is not resident in Panama on the sale or other disposition of Notes that is executed and effected outside Panama, and which payment thereof is made outside of Panama, will not be deemed Panamanian source income and the inference from the foregoing would, therefore, be that the income realized from said sale would not be subject to income tax in Panama. However, we have been advised by our Panamanian counsel that the Tax Opinions are not legally binding interpretations of the 2006 Tax Law.

Stamp and Other Taxes

Upon registration of the Notes with the SMV, the Notes will not be subject to stamp, registration or similar taxes.

The Panama Securities Law provides that securities registered with the SMV, as well as all contracts, agreements and documents related to their issuance, subscription, sale, payment, transfer, exchange or redemption are exempt from the payment of stamp taxes. Such exemption is also applicable if such securities or documents are introduced as evidence in the Panamanian courts for the enforcement thereof.

Foreign Investors

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

Section 17

Plan of distribution

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a note purchase agreement among us and the initial purchasers party thereto (collectively the "Purchasers") (the "Note Purchase Agreement"), we have agreed to sell to the Purchasers, and each of the Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of Notes set forth opposite its name below.

Purchaser	Principal Amount of Notes
[●]	
[●]	
Total	U.S.\$

Subject to the terms and conditions set forth in the Note Purchase Agreement, the Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the Note Purchase Agreement if any of these Notes are purchased. If a Purchaser defaults, the Note Purchase Agreement provides that the purchase commitments of the non-defaulting Purchasers may be increased or the Note Purchase Agreement may be terminated. The Purchasers may offer and sell the Notes through certain of their affiliates.

We have agreed to indemnify the Purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the Purchasers may be required to make in respect of those liabilities.

The Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Note Purchase Agreement, such as the receipt by the Purchasers of officer's certificates and legal opinions. The Purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

[The Company intends to offer the Notes to, among others, its existing shareholders. [] has stated that it intends to purchase at least []% of the initial aggregate principal amount of the Notes [and to purchase any Notes offered hereby that are not acquired by other investors].]

Commissions and Discounts

The Purchasers have advised us that the Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered Outside of Panama

The Notes have not been registered under the Securities Act or any state securities laws, except in Panama where the Notes have been registered with the SMV. The Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Although we expect to apply to have the Notes listed on the Latin American Exchange, we cannot assure you that an active market for

the Notes will develop. We have been advised by the Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

Panamanian Settlement Process

We have appointed [BG Investment, Co., Inc.], as the broker-dealer house of the offering of the Notes through the Latin American Exchange and [] has appointed [BG Valores, S.A.] as the broker-dealer house of the Purchasers for the purchase of the Notes through the Latin American Exchange. [BG Investment, Co., Inc.] has a trading post at the Latin American Exchange and is a broker-dealer authorized to act as such by the SMV, pursuant to Resolutions CNV-322-00 of November 24, 2000, while [BG Valores, S.A.] has a trading post at the Latin American Exchange and is a broker-dealer authorized to act as such by the SMV, pursuant to Resolution CNV -376-00 of November 22, 2000.

The offices of [BG Investment, Co., Inc.] are located at Calle Aquilino de la Guardia y Avenida 5B Sur, Panama City, Republic of Panama, its telephone number is (507) 303-5001 and its fax number is (507) 215-8160. The offices of [BG Valores, S.A.] are located at Plaza BG, Calle Aquilino de la Guardia y Avenida 5B Sur and Calle 50, Panama, Republic of Panama, its telephone number is (507) 205-1755 and its fax number is (507) 205-1712. [BG Investment, Co., Inc.] will enter into a broker-dealer house agreement with us to carry out the sale of the Notes through the Latin American Exchange. Among the services to be rendered in its role as placement agent of the Notes, [BG Investment, Co., Inc.] may:

- carry out the offers of the Notes through the Latin American Exchange pursuant to the rules of the Latin American Exchange; and
- deliver at the disposal of the broker-dealer houses, brokers, investments advisors and the public in general, this offering memorandum and any amendments to it.

As set forth in the Primary Market Manual Proceeding of the Latin American Exchange, as amended, the public auction process described below is applicable to the Notes. The Panamanian public auction procedures applicable to the Notes could be either those applicable to the “first session of the primary market,” which is a session solely available on the Latin American Exchange for certain issuances of securities in respect of which settlement takes place totally or partially in the international markets, including, among others, this offering of the Notes and which takes place between 8:00 a.m. and up to 9:00 a.m. (Panama time) or the regular trading session that takes place between 10:00 a.m. and up to 3:00 p.m. (Panama time).

At the chosen trading session on the date in which we offer the Notes through the Latin American Exchange, a trading session in respect of the Notes will be opened, on the one hand, for each person registered as a member of the Latin American Exchange (each, a “Local Broker”) as potential purchasers of the Notes, and, on the other hand, for us as seller of the Notes (the “Panamanian Public Auction”). During this period, any Local Broker will be permitted to submit a bid to purchase the Notes and we will be permitted to present our offer to sell the Notes on the Latin American Exchange. Any such bids to purchase the Notes are required to be for the full principal amount of the offering as they will be made as a “whole or none” order (WON) under Latin American Exchange regulation. During the applicable trading session on the same date, the Purchasers will submit their bid to purchase the totality of the Notes through BG Valores S.A.

In the Note Purchase Agreement, we have also agreed that if the representative of the Purchasers has not placed and secured the highest (and in case of equality, earliest) bid price for the Notes, we will withdraw

any offer to sell the Notes on the Latin American Exchange and any such offer will immediately be withdrawn and cancelled and be of no further force or effect. See “Risk Factors—Risks related to the Notes— The public auction at the Latin American Exchange will allow any investor to submit a bid for the Notes and the bidder submitting the highest, and in case of equality 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 we will abstain from selling and the offering will be cancelled in consideration to the liabilities that the Company could face under the purchase agreement.” If a bidder other than the representatives of the Purchasers submits a higher or an equal but earlier bid, you will not receive the Notes on the issue date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that we could face under the Note Purchase Agreement.

At any time from or after the commencement of the Panamanian Public Auction and or prior to the settlement of the Notes, if the Purchasers determine, in accordance with the terms of the Note Purchase Agreement, that any of the conditions has not been satisfied or waived or that a termination event has occurred or if we and the Purchasers mutually agree, the Purchasers have the right to require us to repurchase the Notes purchased on the Latin American Exchange on the settlement date, by delivering a notice to us, and in that event, we will repurchase on the settlement date the Notes sold to the representative of the Purchasers on the Latin American Exchange. The repurchase price will be equal to the price payable to us for the Notes (including any premium, discount and/or prepaid interest) and no make-whole premium or any other amounts will be payable in connection therewith. Our obligation to pay the repurchase price for the Notes acquired by the Purchaser will be set off against the Purchaser's obligation to pay the purchase price for those Notes.

International Settlement

The settlement of the Notes will take place outside of the Panamanian trading market and LatinClear system as set out in the Note Purchase Agreement. We expect that delivery of the Notes will be made to investors on or about [●], 2021, which will be the [●] business day following the date of this offering memorandum (such settlement being referred to as “T+ [●]”). Under Rule 15c6-1, under the Exchange Act, trades in the secondary market are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder may be required, by virtue of the fact that the Notes initially settle in T+ [●], to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors. The settlement procedures associated with the offering of the Notes on the Latin American Exchange are complex, and they are not within our ability to control or direct. Any delays involving these Panamanian settlement procedures may cause correlative delays in respect of the settlement and delivery of the Notes on the system of DTC, with the result that the actual settlement and delivery of the Notes may not be completed on the issue date and investors should consider the risks of trading their 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.

No Sales of Similar Securities

We have agreed that we will not, for a period of 60 days after the date of this offering memorandum, without first obtaining the prior written consent of [●] and [●], directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any debt securities issued by us and having a tenor of more than one year, except for the Notes sold to the Purchasers pursuant to the Note Purchase Agreement.

Short Positions

In connection with the offering, the Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Purchasers of a greater principal amount of Notes than they are

required to purchase in the offering. The Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

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

Other Relationships

Some of the Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the Purchasers or their affiliates has a lending relationship with us, certain of those Purchasers or their affiliates routinely hedge, and certain other of those Purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Section 18

Legal matters

Legal matters

Certain matters of Panamanian law will be passed upon for the Company by Alemán, Cordero, Galindo & Lee as the Company's external corporate counsel in Panama, and for the Investors by Arias, Fabrega & Fabrega, as special Panamanian counsel to the investors. The validity of the Notes offered and sold pursuant to this offering and certain other matters will be passed upon by Clifford Chance US, LLP acting as Issuer's counsel, and by Greenberg Traurig LLP, acting as investor's counsel.

Section 19

Independent accountants

Independent accountants

ENSA is audited annually by international independent accounting firms. The Company's audited financial statements and the accompanying notes are on file with the Superintendency of Capital Markets (www.supervalores.gob.pa), the Latin American Exchange (www.panabolsa.com) and are publicly available on the Company's website (www.ensa.com.pa).

Rating

[To be attached]