



UEP Penonomé II, S.A.  
and Tecnisol Group

---

# MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

---



The present report is presented in compliance with the indenture dated December 9, 2020 entered into UEP PENONOME II, S.A. as issuer; each guarantor from time-to-time party hereto, and CITIBANK, N.A., as indenture trustee, registrar, paying agent and transfer agent.

Under Section 5.04, the Issuer and the guarantors shall provide an audited consolidated balance sheet, of such Fiscal Year, and the related statements of income or operations and cash flows for such Fiscal Year, in accordance with Applicable Accounting Principles, as well management discussion and analysis of results of operations and financial condition.

## CONTENT

### 3 **Note to holders**

#### **UEPII : The Issuer**

- 4 I. Operational highlights
- 6 II. Statement of Comprehensive Income
- 8 III. Cash Flow Statement

#### **Tecnisol Group: The Guarantors**

- 9 I. Operational highlights
- 11 II. Statement of Comprehensive Income
- 13 III. Cash Flow Statement

## DEAR SENIOR NOTE HOLDERS,

---

2020 performance has been tainted by COVID-19 effects in all parts of business, government, and daily life. Besides that, we managed our portfolio prudently on a commercial, operational, and financial standpoints and we were able to refinance the indebtedness with IFC, other lenders which were granted for the construction of our wind park, as well as the Sponsor loan granted for the construction of the solar farms, now fully operational.

---

During the period where the pandemic hit hardest and the country went into a lockdown (March to September), the electric system of the country faced certain constraints in collections in both regulated and non-regulated segments, which were resolved by a broad agreement of all market participants. In our case, we managed to collect the majority of the invoices rendered to the distribution companies during the high windy season while reprogramming only a balance of US\$ 4,152,190 in 36 installments of which US\$ 692,032 had been already paid as of the date of this report. On the non-regulated segment, our clients had a disparate performance depending on the industry where they operate. As such, our client part of the hospitality business shut down operations for 7 months and resume gradually by October, with only US\$ 200,732 in arrears which has been reprogrammed in ten monthly installments.

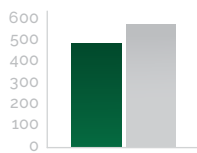
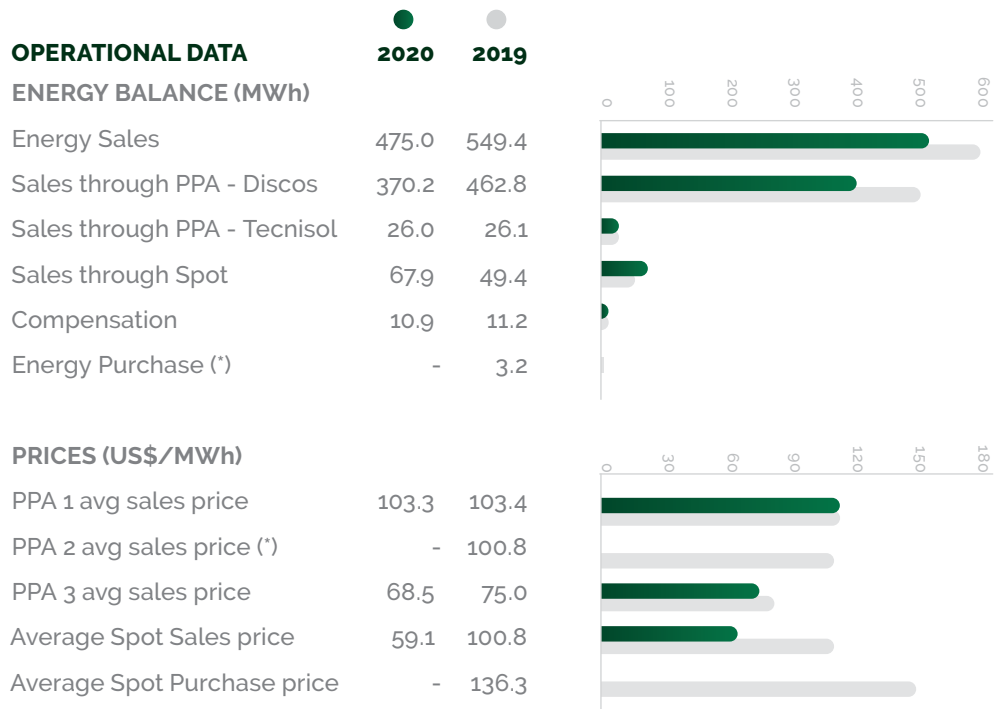
---

We continue to improve the availability of our wind park from 91% to 93% and strengthen the relationship with Goldwind, the maintenance provider. By extending the Service and Maintenance contract by three years and adapting the guaranteed availability to windy and non-windy season (97% for wind season and 96% for non-windy season), we align interest and ensure a higher availability during the high-performance part of the year. During 2021, we are focused on implementing the blade enhancement plan that will comprise a real time event monitor on the rot, repairment and acquiring 7 sets of blades as inventory. Our solar plants are fully operational and have sorted the last set up items, proven by an availability in excess of 99%. Our labor costs and administrative structure has been streamlined so as to keep the cost controlled going forward, while ensuring the operational excellence on our renewable portfolio.

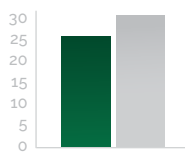
---

# UEPII: THE ISSUER

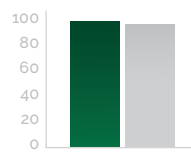
## I. OPERATIONAL HIGHLIGHTS



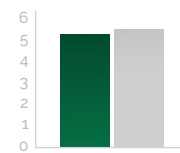
**Generation (GWh)**  
**2020: 475.0**  
 2019: 546.2



**Plant Factor (%)**  
**2020: 25%**  
 2019: 29%



**Operational availability (%)**  
**2020: 93%**  
 2019: 91%



**Wind resource (m/s)**  
**2020: 5.1**  
 2019: 5.3

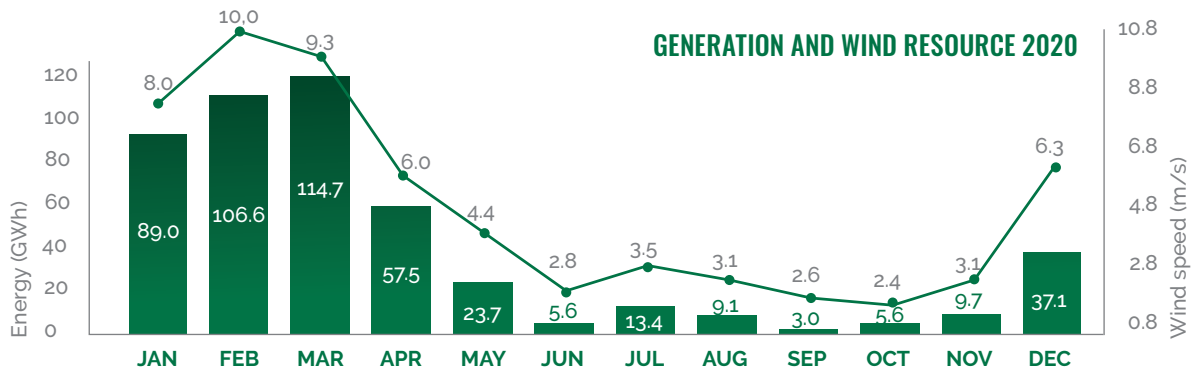
(\*) Short term financial PPA - expired in 2019

### GENERATION

The electricity produced by UEP II Wind Project depend heavily on wind conditions, which are variable and difficult to predict. The flattening of the wind between May and November is compensated by the high wind season between December and April. Historically, our wind generation has been greater in the first quarter of the year. During the year ended December 31, 2020 our UEP II Wind Project production was 475.2GWh, 13% below the 546.2 GWh generated during the year ended December 31, 2019. 2019 was affected by "El Niño" Phenomenon with the highest historical generation registered by the windfarm.

2020 was affected by "La Niña" phenomenon during the second half of the year, it was characterized for being a transition year from "Niño" to "Niña". In September 2020, NOAA confirmed the presence of the "Niña" Phenomenon that could cause the extension of the non-windy season until March 2021. When "La Niña" phenomenon occurs, the rainy season is extended which causes a reduction of the high wind season.

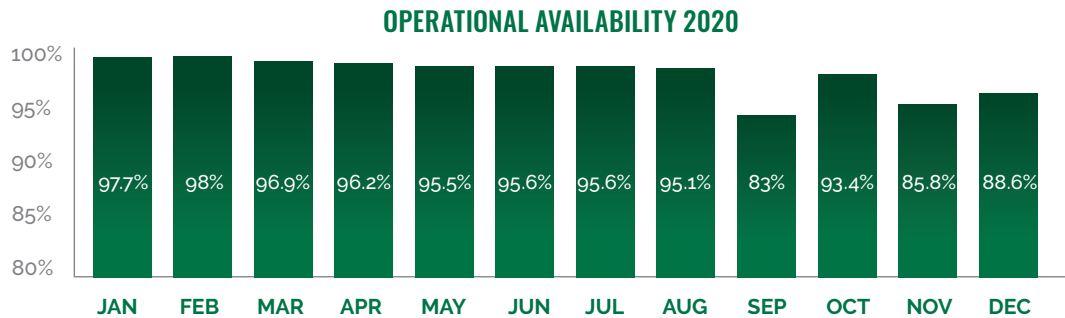
The average wind resource for the windy season was 7.9 m/s, being above the annual average value of 7.5 m/s. During the Non-windy Season, the wind speed registered was 2.9 m/s, being in most of the months below the minimum speed to operate the wind turbines. The average wind resource for 2020 was 5.1 m/s, a 2.7% below the 5.3 m/s registered in 2019.



### OPERATIONS AND AVAILABILITY

The Operational Availability for the year 2020 was 93.4%, a 3% above 91% availability of 2019. From September to December, inspection and repair works were performed in the blades, which impacted on the availability but not in the generation. The main factor that affected the generation during the year were the repair process of three blades of three wind turbines (41, 39, 108) that had to be stopped during the windy season and could not be repaired until the non-windy season.

It was the best year for Goldwind's availability (99.3%) and a bonus will be paid at the end of the Production Period. Under the Service and Maintenance Agreement, Goldwind guarantees to the Issuer a turbine availability rate of 97% for the high wind season and 96% for the low wind season.



## II. STATEMENT OF COMPREHENSIVE INCOME

	<b>2020</b>	<b>2019</b>
(Thousands of US\$)		
Energy revenues	45,247	56,070
Costs of goods and services	(21,476)	(22,667)
Gross profit	23,771	33,403
Administrative expenses	(5,595)	(4,278)
Operating profit	18,176	29,125
Finance cost amortization	(9,159)	(797)
Finance cost, net	(31,079)	(28,631)
Total finance cost	(40,238)	(29,427)
Other income	15,387	561
(Loss) profit before income tax	(6,675)	258
Income tax	2,756	(1,644)
Total comprehensive loss for the year	(3,919)	(1,386)

### REVENUES

The Issuer's energy revenues for the year ended December 31, 2020 were US\$45.247 million, a decrease of US\$10.822 million, or 19%, compared to the Issuer's energy revenues of US\$56.070 million for the same period in 2019. This decrease was primarily attributable to (a) a decrease in wind energy (71.18 GWh) due to weather conditions caused by the "La Niña" phenomenon in the second semester of the year and, (b) a decrease in the spot price by 41.3% due to lower demand of the system due to government measures in the face of the COVID-19 pandemic.

### COSTS OF GOODS AND SERVICES

The Issuer's cost of goods and services for the year ended December 31, 2020 was US\$21.476 million, a decrease of US\$1.191 million, or 5%, compared to the Issuer's cost of goods and services of US\$22.667 million for the year ended December 31, 2019. This decrease was primarily attributable to:

---

US\$612 thousand lower energy purchases in the spot market because of the expiration of certain short-term financial PPAs between the Issuer and certain distribution companies.

---

A decrease of US\$244 thousands in fee transmission costs, due to lower generation of 14% during 2020 compared to 2019.

---

US\$ 174 thousand lower security expenses as a consequence of the contract coverage adjustment.

---

A decrease of US\$105 thousand of salaries and other benefits to employees.

---

## ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the year ended December 31, 2020 were US\$5.595 million, an increase of US\$1.317 million, or 31%, as compared to the Issuer's administrative expenses of US\$4.278 million for the year ended December 31, 2019. This increase was primarily attributable to:

---

An increase of US\$1.290 million of management service expenses according to the contract signed in January 2020.

---

US\$456 thousand higher other expenses intercompany due to the waive of an intercompany transaction with Interenergy.

---

US\$235 thousand higher other expenses mainly affected by reclassifications, operation permits and green areas maintenance.

---

US\$87 thousand higher insurance costs due to an increase in the property all risk policy.

These increases were partially offset by:

- US\$312 thousand lower professional fees due to decrease of legal services.
- US\$278 thousand lower wake effect compensation expenses due to decrease in generation in 2020 compared to 2019.
- US\$94 thousand lower communication expenses.

### TOTAL FINANCE COST

The Issuer's total finance costs for the year ended December 31, 2020 were US\$40.238 million, an increase of US\$10.811 million, or 37%, compared to the Issuer's total finance cost of US\$29.427 million for the year ended December 31, 2019. This increase was primarily attributable to the deferred financing costs fully expensed in 2020, in connection to the loan agreement repaid with the proceeds from the Senior Notes.

### OTHER INCOME

The Issuer's other income for the year ended December 31, 2020 was US\$15.387 million compared to the Issuer's other income of US\$561 thousand for the year ended December 31, 2019, related to the reversal of intercompany interest charges.

### INCOME TAX

The Issuer's income tax for the year ended December 31, 2020 was US\$2.756 million, a decrease of US\$4.400 million, compared to the Issuer's income tax of US\$(1.644) million for the year ended December 31, 2019. This decrease is attributable to the deferred tax liability computation of US\$5.347 million and current tax of US\$947 thousand.





### III. CASH FLOW STATEMENT

	<b>2020</b>	<b>2019</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Thousands of US\$)	<b>Net cash provided by operating activities</b>	107	30,033
	<b>Net cash used in provided by investing activities</b>	(6,160)	(49)
	<b>Net cash used in financing activities</b>	(55,366)	(14,530)
	<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(61,419)</b>	<b>15,454</b>
	<b>Cash and cash equivalents and restricted cash at the end of year</b>	<b>14,872</b>	<b>76,291</b>

### LIQUIDITY

#### OPERATING ACTIVITIES

For each of the year ended December 31, 2020 and 2019, the Issuer's net cash provided by operating activities was US\$107 thousand and US\$30.033 million, respectively. The main driver for this decrease is explained by (a) variations in (loss) profit before income taxes explained above, (b) reduction in accounts payable for US\$ 30.079 million, due to the cancellation of professional fees with the parent company by US\$ 4,800 and US\$ 15,385 for forgiveness of shareholder's loan interest (does not represent cash outflow); partially offset by: (c) an increase in deferred financing costs of US\$ 8,362 associated with the cancellation of the IFC debt with the issuance of the Senior Notes.

#### INVESTING ACTIVITIES

For each of the year ended December 31, 2020 and 2019, the Issuer's net cash used in investing activities was US\$6.160 million and US\$49 thousand, respectively. The decrease is derived by the release of the restricted cash of the debt reserve account by US\$17.272 million partially offset by lending US\$23.265 million to Grupo Tecnisol as part of the use of proceeds of the Senior Notes.

#### FINANCING ACTIVITIES

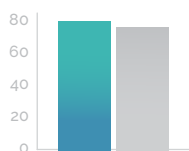
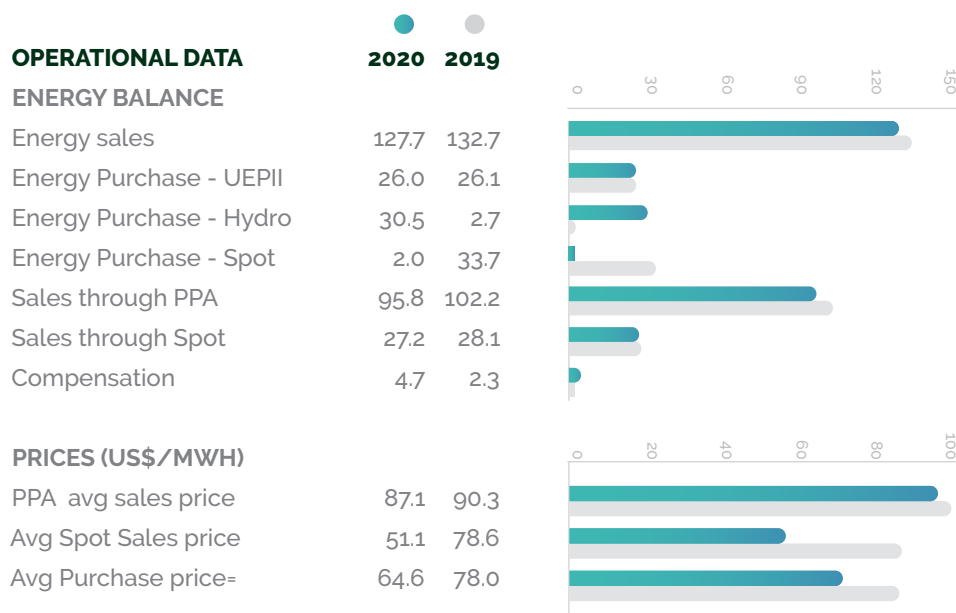
For each of the year ended December 31, 2020 and 2019, the Issuer's net cash used in financing activities was US\$55.366 million and US\$14.530 million, respectively, resulting with a decrease of US\$40.836 million. The net result is explained by: (a) an inflow from the Placement of a Senior Notes US\$ 262.664 million, b) an outflow resulting from the repayment of the previous debt for US\$ 227.514 million, (c) repayment of the shareholder loan for US\$ 50.000 million, (d) US\$ 9.025 paid to unwind an interest rate swap related to the repaid debt , (e) a capital reduction for US\$ 9.025 million and (f) a payment of deferred financing costs of US\$ 8,024 million.



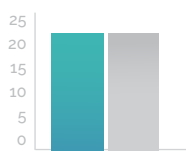


# TECNISOL GROUP: THE GUARANTORS

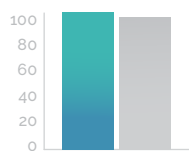
## I. OPERATIONAL HIGHLIGHTS



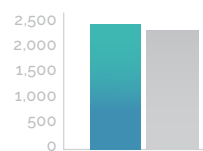
**Generation (GWh)**  
**2020: 70.6**  
 2019: 70.3



**Plant Factor (%)**  
**2020: 20.1%**  
 2019: 20.1%



**Operational availability (%)**  
**2020: 99.1%**  
 2019: 97.8%



**Solar resource (kWh/m2)**  
**2020: 2,206**  
 2019: 2,130

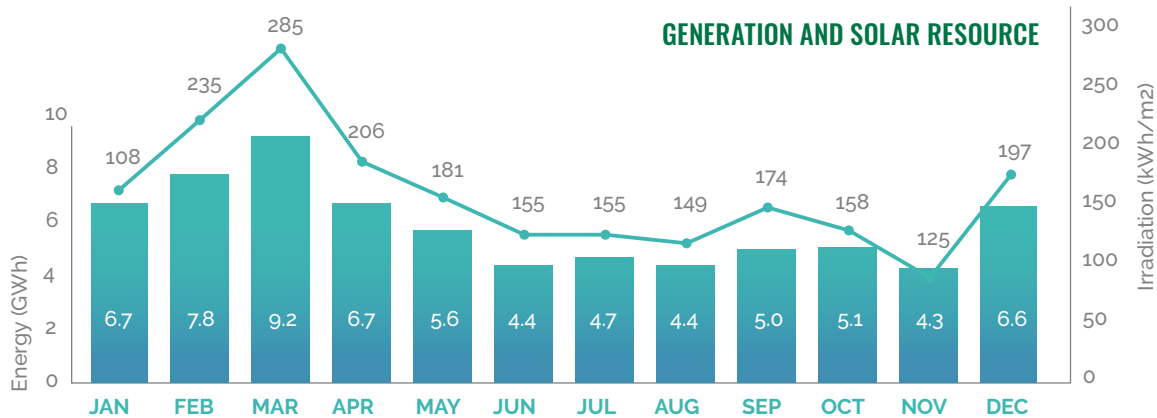
(\*) Short term financial PPA - expired in 2019

### GENERATION

The amount of electricity produced by our Tecnisol Solar Project is highly dependent on the amount of solar irradiation received by the assets. During the year ended December 31, 2020 the Tecnisol Solar Project's energy generation was 70.6 GWh. The generation has been a 0.5% above than the production in the year ended December 31, 2019 of 70.3GWh, when the plant only reached the definitive acceptance in March and the solar resource was lower.

The production of the year 2020 was affected by the low solar resource of 2,206 kWh/m2 and the cable insulation problems that were detected when the wet season started, during May. From that moment several strings had to be disconnected and the plant operated below its capacity until October when the problem was solved.

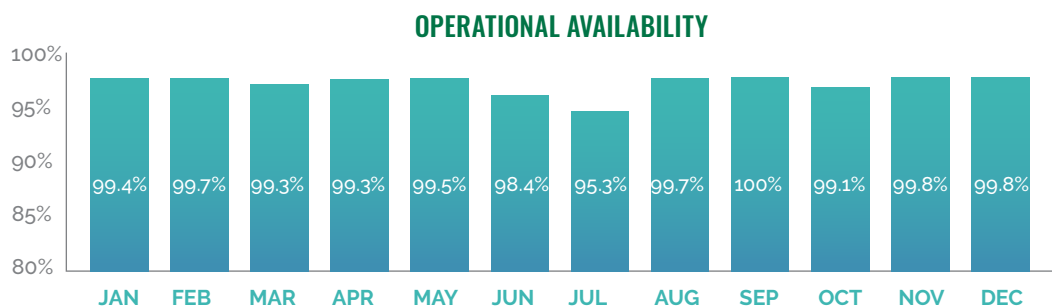
The second half of 2020 was affected by a "La Niña" phenomenon during the second half of the year, it was characterized for being a transition year from "Niño" to "Niña". When the "La Niña" phenomenon occurs, the rainy season is extended which causes a reduction of the high solar resource and consequently the generation capacity decreases.



**OPERATION AND AVAILABILITY**

The O&M availability, measured in the inverters, was 99.5%, a good indicator that our in-house operation has performed better than expected (98%). The global availability of the plant has been 98.9%, being an acceptable value. The O&M plan with all the maintenance tasks has been performed as planned even the Covid situation. It has been above the Operational availability of 97.8% in 2019 since the plant already reached the final acceptance.

The PR was below the guaranteed values from May to October due to the insulation problem of the cables. From October, the values are recovered and above the guaranteed values, around 83%. The plant does not have presented more insulation issues.



## II. STATEMENT OF COMPREHENSIVE INCOME

(Thousands of US\$)	<b>OPERATIONAL DATA</b>	<b>2020</b>	<b>2019</b>
	<b>ENERGY BALANCE</b>		
	Energy revenue	10,036	12,118
	Costs of goods and services	(7,979)	(9,002)
	Gross profit	2,058	3,117
	Administrative expenses	(896)	(871)
	Operating profit	1,162	2,246
	Finance costs	(471)	(1,516)
	Other income	47	0
	Income before income tax	738	730
	Income tax	(271)	(434)
	Profit for the period	467	296

### ENERGY REVENUES

The Guarantors' combined energy revenues for the year ended December 31, 2020 were US\$10.036 million, a decrease of US\$2.082 million, or 17%, compared to the Guarantors' combined energy revenues of US\$12.118 million for the year ended December 31, 2019. This decrease was primarily attributable to a decrease of: (a) US\$949 thousand in the Guarantors' sales under the Tecnisol PPAs due to a decrease in the average sales price (US\$87.1/MWh for the year ended December 31, 2020 compared to US\$90.3/MWh for the year ended December 31, 2019) and (b) US\$821 thousand in the Guarantors' spot sales due to lower average spot sales price (US\$51.1/MWh for the year ended December 31, 2020 compared to US\$78.6/MWh for the year ended December 31, 2019).

### COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the year ended December 31, 2020 was US\$7.979 million, a decrease of US\$1.023 million, or 11%, compared to the Guarantors' combined cost of goods and services of US\$9.002 million for the year ended December 31, 2019.

This decrease was primarily attributable to:

---

A decrease of US\$2.743 million in energy purchases from the spot market because of lower prices,

---

A decrease of US\$335 thousand in depreciation and amortization, mostly driven by the reassessment the useful life of certain assets in 2019.

---

These decreases were partially offset by:

An increase of US\$1.447 million of energy purchase quantity from energy reserve agreements,

An increase of US\$490 million of repairs and maintenance expenses,

US\$ 118 higher security and salaries expenses.

### ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the year ended December 31, 2020 were US\$896 thousand, an increase of US\$25 thousand, or 3%, compared to the Guarantors' combined administrative expenses of US\$871 thousand for the year ended December 31, 2019. This increase was primarily attributable to (a) US\$ 119 thousand higher insurance costs due to increase in property all risk policy, (b) US\$108 thousand higher professional fees due to increase of audit fees services and health security services related to pest control; partially offset by: (c) US\$171 lower other expenses to one-time expenses incurred in relation to the Guarantors inauguration event and lower professional fees expenses caused by the completion of the inspection in construction related to the definitive acceptance certificate under the Guarantors EPC Agreement and (d) US\$86 thousand lower donations expenses.

#### FINANCE COST

The Guarantors' combined finance cost for the year ended December 31, 2020 was US\$471 thousand, a decrease of US\$1.046 million, compared to the Guarantors' combined finance cost of US\$1.516 million for the year ended December 31, 2019, primarily attributable to the interest's expense under the Tecnisol Shareholder Loans.

#### OTHER INCOME

The Guarantors' combined other income for the year ended December 31, 2020 was US\$47 thousand compared to the Guarantors' other income of US\$0 for the year ended December 31, 2019, relating to an extraordinary reimbursement from a supplier.

#### INCOME TAX

The Guarantors' combined income tax for the year ended December 31, 2020 was US\$271 thousand, a decrease of US\$163 thousand, compared to the Guarantors' combined income tax of US\$434 thousand for the year ended December 31, 2019. This decrease was primarily attributable to a US\$163 thousand decrease in current income tax related to lower pre-tax results.



### III. CASH FLOW STATEMENT

(Thousands of US\$)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2020</b>	<b>2019</b>
Net cash provided by operating activities	33	4,064
Net cash used in provided by investing activities	(286)	(192)
Net cash used in financing activities	(544)	(7,205)
<b>Net decrease in cash and cash equivalents</b>	<b>(796)</b>	<b>(3,334)</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,172</b>	<b>2,968</b>

### LIQUIDITY

#### OPERATING ACTIVITIES

For each of the year ended December 31, 2020 and 2019, the Guarantors' combined net cash provided by operating activities was US\$33 thousand and US\$4.064 million, respectively.

The main driver for this decrease in 2020 compared to 2019 was the reduction in account payables referring to the last payment to Cobra (milestone #6 – Commercial Operation Date certificate).

#### INVESTING ACTIVITIES

For each of the year ended December 31, 2020 and 2019, the Guarantors' combined net cash used in investing activities was US\$286 thousand and US\$192 thousand, respectively. There was no material deviation between these periods.

#### FINANCING ACTIVITIES

For each of the year ended December 31, 2020 and 2019, the Guarantors' combined net cash flows used in financing activities was US\$544 thousand and US\$7.205 million, respectively. This increase refers to a net reduction of US\$ 7.158 in shareholders loan in 2019.





UEP Penonomé II, S.A.  
and TecniSol Group

---

Republic of Panama, Obarrio, P.H.  
Plaza 58 (PwC Tower) 9<sup>th</sup> floor.  
(507) 201 5140

**INTERENERGY.COM**

