



UEP Penonomé II, S.A.
and Tecnisol Group

Q1-2021

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD
ENDED MARCH 31, 2021
COMPARED TO THE PERIOD
ENDED MARCH 31, 2020



The present report is presented in compliance with the indenture dated March 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 within 60 days of the end of the first three Fiscal Quarters of each Fiscal Year of the Issuer unaudited consolidated quarterly financial statements of the Issuer and the Guarantors (including a balance sheet, statement of comprehensive income and cash flow statement). The quarterly financial statements will be accompanied by a brief narrative overview of the results of operations and financial condition of the Issuer and the Guarantors.

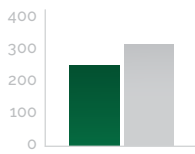
CONTENT

3	UEPII : The Issuer
3	I. Operational highlights
3	II. Management discussion and analysis of main variances
4	III. Statement of Comprehensive Income
6	IV. Cash Flow Statement
7	Tecnisol Group: The Guarantors
7	I. Operational Highlights
3	II. Management discussion and analysis of main variances
8	III. Statement of Comprehensive Income
9	IV. Cash Flow Statement
10	The Issuer's Balance Sheet
11	The Issuer's Income Statement
12	The Issuer's Cash Flow
13	The Guarantors' Combined Balance Sheet
14	The Guarantors' Combined Income Statement
14	The Guarantors' Combined Cash Flow

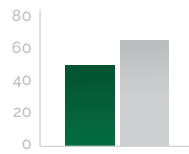
UEPII: THE ISSUER

I. OPERATIONAL HIGHLIGHTS

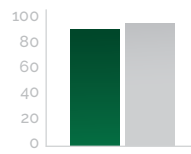
OPERATIONAL DATA	2021	2020
ENERGY BALANCE (MWh)		
Energy Sales	251.5	310.3
Sales through PPA - Discos	197.0	241.5
Sales through PPA - Tecnisol	11.8	13.4
Sales through Spot	36.8	49.7
Compensation	6.0	5.7
PRICES (US\$/MWh)		
Discos avg sales price	103.0	103.4
Tecnisol PPA avg sales price	65.3	75.0
Average Spot Sales price	72.2	65.0



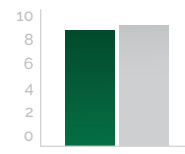
Generation (GWh)
2021: 251.5
 2020: 310.3



Plant Factor (%)
2021: 54.7%
 2020: 67.1%



Operational availability (%)
2021: 97.2%
 2020: 97.5%



Wind resource (m/s)
2021: 8.96
 2020: 9.10

(*) Short term financial PPA - expired in 2019

II. MANAGEMENT DISCUSSION AND ANALYSIS OF MAIN VARIANCES

GENERATION

The electricity produced by UEP II Wind Project depend heavily on wind conditions, which are variable and difficult to predict. January to March are high wind season months. During the three-month period ended March 31, 2021 our UEP II Wind Project production was 251.5 GWh, 19% below the 310.3 GWh generated during the three-month period ended March 31, 2020.

The average wind resource for the first quarter in 2021 has been 8.9 m/s, being below the previous year period value of 9.1m/s.

An explanation to this is the presence of La Niña Phenomenon that caused the extension of the non-windy season until March 2021. When La Niña occurs, the rainy season is extended which causes a reduction of the high wind season. La Niña phenomenon has affected the performance of the turbines more than anticipated.

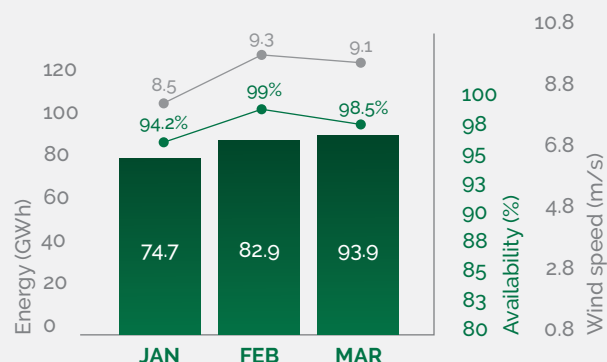


GENERATION, WIND SPEED AND AVAILABILITY Q1 2021

OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended March 31, 2021 was 97.2%, a 0.3% below 97.5% availability of the same period in 2020. The main causes of unavailability were the blade's repair carried out in 9 wind turbines during January.

Goldwind's availability has been 99.1%, above the guaranteed value of 97%.



III. STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
Energy revenues	24,302	29,783
Costs of goods and services	(5,500)	(5,496)
Gross profit	18,802	24,288
Administrative expenses	(954)	(1,102)
Operating profit	17,847	23,186
Finance cost, net	(1,353)	(16,386)
Other income	11	-
Profit before income tax	16,506	6,800
Income tax	(2,195)	(4,030)
Profit for the period	14,311	2,771

(Thousands of US\$)

REVENUES

The Issuer's energy revenues for the period ended March 31, 2021 were US\$24.302 million, a decrease of US\$5.481 million, or 18%, compared to the Issuer's energy revenues of US\$29.783 million for the same period in 2020. This decrease was primarily attributable to a decrease in wind energy (58.8 GWh) due to weather conditions caused by the "La Niña" phenomenon.

COSTS OF GOODS AND SERVICES

The Issuer's cost of goods and services for the period ended March 31, 2021 remained in line with same figures of last year, as part of the cost control plan implemented since the COVID pandemic started.

ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the period ended March 31, 2021 were US\$ 954 thousand, a decrease of US\$147 thousand, or 13%, as compared to the Issuer's administrative expenses of US\$1.102 million for the period ended March 31, 2020. This decrease was primarily attributable to:

A decrease of US\$192 thousand of salaries and other benefits to employees as part of the cost savings plan implemented since COVID pandemic started.

US\$68 thousand lower professional expenses.

US\$16 thousand lower communication expenses.

These increases were partially offset by:

US\$52 thousand higher wake effect compensation expenses due to increase in spot prices during March 31, 2021 compared to the same period in 2020.

US\$28 thousand higher regulator fee expenses.

US\$23 thousand higher substation rent expenses.

US\$18 thousand higher insurance costs.

US\$4 thousand higher other expenses.

FINANCE COST / NET

The Issuer's total finance costs for the period ended March 31, 2021 were US\$1.353 million, a decrease of US\$15.033 million, or 92%, compared to the Issuer's total finance cost of US\$16.386 million for the period ended March 31, 2020. This decrease was primarily attributable to the SWAP valuation in which it was positive for the current period (US\$3.3 million) as opposed to a cost in the previous period (US\$11.7 million).

INCOME TAX

The Issuer's income tax for the period ended March 31, 2021 was US\$2.195 million, a decrease of US\$1.834 million, compared to the Issuer's income tax of US\$4.043 million for the period ended March 31, 2020. This decrease is attributable to the lower current income tax of US\$647 thousand and a decrease in deferred tax of US\$1.187 million.

IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	2021	2020
Net cash provided by operating activities	1,098	3,308
Net cash used in provided by investing activities	(15)	(14)
Net cash used in financing activities	(3,716)	(6,515)
Net (decrease) increase in cash and cash equivalents	(2,633)	3,221
Cash and cash equivalents and restricted cash at the end of year	12,239	73,070

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the three months ended March 31, 2021 and 2020, the Issuer's net cash provided by operating activities was US\$1.098 million and US\$3.308 million, respectively. The main driver for this decrease is explained by (a) US\$4.215 million lower interest paid as the first coupon of the Senior Notes accounted for four months, which will be leveled in six month coupon going forward, (b) US\$2.255 million lower accounts receivables due invoices rendered to the distribution companies were rescheduled into a 36 months installment scheme from September 2020; partially offset by US\$4.028 million lower accounts payables due to decrease in interest payables under shareholders loan that has been cancelled with the proceeds of the Senior Notes.

INVESTING ACTIVITIES

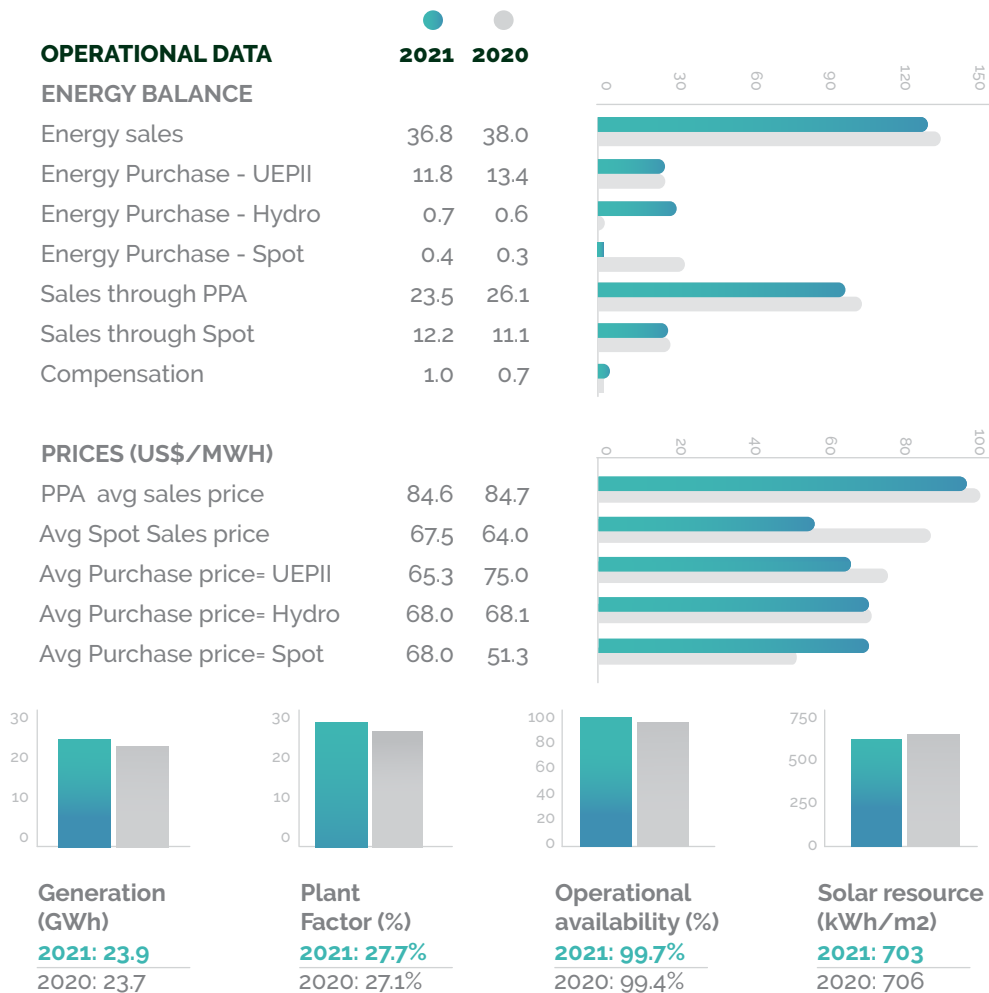
For each of the three months ended March 31, 2021 and 2020, the Issuer's net cash used in investing activities was US\$15 thousand and US\$14 thousand, respectively. There was no material deviation between these periods.

FINANCING ACTIVITIES

For each of the three months ended March 31, 2021 and 2020, the Issuer's net cash used in financing activities was US\$3.716 million and US\$6.515 million, respectively, resulting with a decrease of US\$2.799 million. The first coupon of the Senior Notes repayment was US\$3.685 million representing four months, which will be leveled in six month coupon going forward compared to the previous capital repayment under IFC schedule of US\$6.414 million.

TECNISOL GROUP: THE GUARANTORS

I. OPERATIONAL HIGHLIGHTS



(*) Short term financial PPA - expired in 2019

II. MANAGEMENT DISCUSSION AND ANALYSIS OF MAIN VARIANCES

GENERATION

The amount of electricity produced by our Tecnisol is highly dependent on the amount of solar irradiation received by the assets. During the trimester ended March 31, 2021 the energy generation was 23.9 GWh. The generation has been a 1.2% above the production in the trimester ended March 31, 2020 of 23.7GWh.

No operational highlights have affected the production of the first quarter of current year.

The solar irradiation during this period has been of 703 kWh/m², being a 0.4% below the first quarter of prior year.

The 2021 started with predominance of La Niña, which is characterized by higher rains and thus lower solar resource.

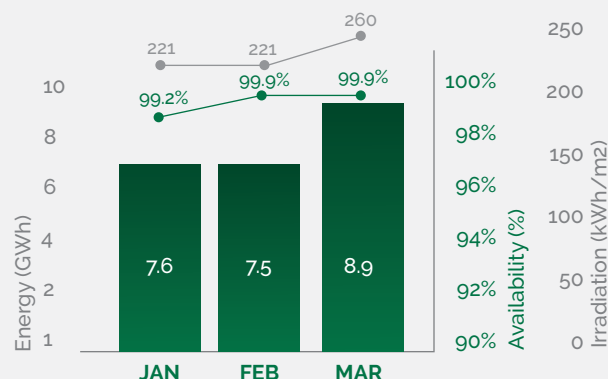




OPERATIONS AND AVAILABILITY

The O&M availability, measured in the inverters, for the three-month period ended March 31, 2021 was 99.9%. The global availability of the plant has been 99.7%, being an indicator that the plant is performing well, and no events have affected the production. The operational availability has been above the value of 99.4% in the same period in 2020.

GENERATION, WIND SPEED AND AVAILABILITY Q1 2021



The performance ratio has been above the guaranteed values, an average of 84.2%. This value is higher than the 81.7% of the same period in 2020 when the insulation issues were not yet detected but already affecting the plant.

III. STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
Energy revenues	2,907	3,076
Costs of goods and services	(1,827)	(1,983)
Gross profit	1,081	1,093
Administrative expenses	(280)	(79)
Operating profit	801	1,014
Finance cost	(404)	(344)
Income before income tax	396	670
Income tax	(106)	(179)
Profit for the period	291	492

(Thousands of US\$)

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended March 31, 2021 were US\$2.907 million, a decrease of US\$169 thousand, or 6%, compared to the Guarantors' combined energy revenues of US\$3.076 million for the period ended March 31, 2020. This decrease was primarily attributable to US\$331 thousand lower in the Guarantors' sales under the Tecnisol PPAs due to a (a) lower client's consumption by 2.6 GWh during this period compared to the same period in 2020, (b) decrease in the average sales price (US\$84.6/MWh for the period ended March 31, 2021 compared to US\$88.6/MWh for the period ended March 31, 2020).

COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended March 31, 2021 was US\$1.827 million, a decrease of US\$157 thousand, or 8%, compared to the Guarantors' combined cost of goods and services of US\$1.983 million for the period ended March 31, 2020. This decrease was primarily attributable to:

US\$229 thousand lower energy purchases from reserve contracts,

These decreases were partially offset by:

US\$24 thousand higher repair and maintenance expenses,

US\$22 thousand higher energy purchase from spot market due to higher prices,

an increase of US\$18 thousand of salaries expenses,

US\$5 thousand higher security expenses.

ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended March 31, 2021 were US\$280 thousand, an increase of US\$201 thousand. This increase was primarily attributable to:

- US\$ 180 thousand higher other expenses due to municipal operational license paid in March not incurred in the same period in 2020,
- US\$10 thousand higher professional fees and insurance costs,
- US\$5 thousand higher management services and
- US\$4 thousand higher regulator fees expenses.

FINANCE COST

The Guarantors' combined finance cost for the period ended March 31, 2021 was US\$404 thousand, an increase of US\$60 thousand, compared to the Guarantors' combined finance cost of US\$344 thousand for the period ended March 31, 2020, primarily attributable to the interest's expense under the UEPII Shareholder loans granted as part of the proceeds of the Senior Notes.

INCOME TAX

The Guarantors' combined income tax for the period ended March 31, 2021 was US\$106 thousand, a decrease of US\$73 thousand, compared to the Guarantors' combined income tax of US\$179 thousand for the period ended March 31, 2020. This decrease is attributable by a lower current income tax.

IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

	2021	2020
Net cash provided by operating activities	24	(550)
Net cash used in investing activities	(16)	(49)
Net cash used in financing activities	(250)	(726)
Net decrease in cash and cash equivalents	(241)	(1,325)
Cash and cash equivalents at end of year	1,931	1,643

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the three months ended March 31, 2021 and 2020, the Guarantors' combined net cash provided by operating activities was US\$24 thousand and (US\$550) thousand, respectively. The positive variance refers to collection of past due invoices of one of the Guarantor's client that caught up in the first quarter.

INVESTING ACTIVITIES

For each of the three months ended March 31, 2021 and 2020, the Guarantors' combined net cash used in investing activities was US\$16 thousand and US\$49 thousand, respectively. There was no material deviation between these periods.

FINANCING ACTIVITIES

For each of the three months ended March 31, 2021 and 2020, the Guarantors' combined net cash flows used in financing activities was US\$250 thousand and US\$726 thousand, respectively. This decrease refers to the new payment schedule of the UEP2 loan which is longer in tenor than the previous related party loan.

THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
MARCH 31, 2021

	As of March 31, 2021	As of December 31, 2020	(Thousands of US\$)
THE ISSUER'S BALANCE SHEET			
Current assets			
Cash and cash equivalents	12,239	14,872	
Trade and other receivables	21,940	8,116	
Current portion of related debt receivable	623	886	
Prepaid expenses	729	634	
Inventory	23	22	
Total current assets	35,553	24,530	
Non-current assets			
Long-term portion of related debt receivable	22,379	22,379	
Plant and equipment, net	226,549	230,017	
Deferred income tax	741	1,479	
Goodwill	20,000	20,000	
Total non-current assets	269,669	273,875	
Total assets	305,222	298,405	
Liabilities and Equity			
Current liabilities			
Current portion of bonds	6,318	10,003	
Trade and other payables	6,019	6,568	
Total current liabilities	12,337	16,571	
Non-current liabilities			
Lease liabilities long term	8,390	8,390	
Long-term of bonds	244,754	244,637	
Derivative financial instrument	8,957	12,334	
Total non-current liabilities	262,101	265,361	
Total liabilities	274,438	281,932	
Equity			
Common shares with US\$1.00 par value each; authorized and issued: 1,050 shares	1,050	1,050	
Capital contribution	65,974	65,974	
Accumulated deficit	(35,172)	(49,483)	
Prepaid dividend tax	(19)	(19)	
Total equity	30,784	16,474	
Total liabilities and equity	305,222	298,405	

THE ISSUER'S INCOME STATEMENT

	As of March 31, 2021	As of March 31, 2020	(Thousands of US\$)
Energy revenues	24,302	29,783	
Costs of goods and services	(5,500)	(5,496)	
Gross profit	18,802	24,288	
Administrative expenses	(954)	(1,102)	
Operating profit	17,847	23,186	
Finance cost, net	(1,353)	(16,386)	
Other income	11	-	
Profit before income tax	16,506	6,800	
Income tax	(2,195)	(4,030)	
Total comprehensive loss for the year	14,311	2,771	

THE ISSUER'S CASH FLOW

	As of March 31, 2021	As of March 31, 2020	(Thousands of US\$)
Cash flows from operating activities			
(Loss) profit before income tax	16,623	6,800	
Adjustments to reconcile (loss) profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	3,484	3,485	
Finance cost amortization	117	199	
Interest on borrowings and lease liabilities, net	4,812	3,747	
Fair value loss on derivative financial instrument	(3,377)	11,660	
Net changes in assets and liabilities:			
Trade and other receivables	(12,823)	(15,078)	
Trade and other payables	(2,640)	1,387	
Prepaid expenses	(95)	206	
Inventory	(0.4)	-	
Interest paid	(4,885)	(9,100)	
Net cash provided by operating activities	1,098	3,308	
Cash flows from investing activities			
Additions of plant and equipment	(15)	(14)	
Net cash used in provided by investing activities	(15)	(14)	
Cash flows from financing activities			
Repayment of long-term debt	-	(6,414)	
Issued bonds	(3,685)	-	
Principal lease payments	(31)	(101)	
Net cash used in financing activities	(3,716)	(6,515)	
Net (decrease) increase in cash and cash equivalents	(2,633)	(3,221)	
Cash and cash equivalents at the beginning of year	14,872	76,291	
Cash and cash equivalents and restricted cash at the end of year	12,239	73,070	

THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
MARCH 31, 2021

	As of March 31, 2021	As of December 31, 2020	(Thousands of US\$)
THE GUARANTOR'S COMBINED BALANCE SHEET			
Current assets			
Cash and cash equivalents	1,931	2,172	
Trade and other receivables	2,356	1,366	
Prepaid expenses and other assets	474	794	
Inventory	3	-	
Total current assets	4,765	4,332	
Non-current assets			
Plant and equipment, net	37,322	38,030	
Intangible assets	235	238	
Total non-current assets	37,558	38,268	
Total assets	42,322	42,601	
Liabilities and Equity			
Current liabilities			
Lease liabilities short-term	14	19	
Current portion of related loan	623	886	
Trade and other payables	746	1,066	
Total current liabilities	1,383	1,970	
Non-current liability			
Lease liabilities long term	1,218	1,201	
Long-term of related loan	22,379	22,379	
Total non-current liability	23,597	23,580	
Total liabilities	24,981	25,550	
Equity			
Parent company investment	40	40	
Capital Contribution	16,719	16,679	
Retained earnings (accumulated deficit)	682	391	
Prepaid dividend tax	(59)	(59)	
Total equity	17,342	17,051	
Total liabilities and equity	42,322	42,601	

**THE GUARANTOR'S COMBINED
INCOME STATEMENT**

	As of March 31, 2021	As of March 31, 2020	(Thousands of US\$)
Energy revenue	2,907	3,076	
Costs of goods and services	(1,827)	(1,983)	
Gross profit	1,081	1,093	
Administrative expenses	(280)	(79)	
Operating profit	801	1,014	
Finance costs	(404)	(344)	
Income before income tax	396	670	
Income tax	(106)	(179)	
Profit for the period	291	492	

**THE GUARANTOR'S COMBINED
CASH FLOW**

	As of March 31, 2021	As of March 31, 2020	(Thousands of US\$)
Cash flows from operating activities	396	670	
Income before income tax			
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation and amortization	726	721	
Interest on borrowings and lease liabilities, net	404	344	
Changes in assets and liabilities:			
Trade and other receivables	(990)	(105)	
Trade and other payables	(481)	(1,870)	
Prepaid expenses and other assets	320	(6)	
Inventory	(3)	-	
Interest paid	(349)	(305)	
Net cash provided by operating activities	24	(550)	
Cash flows from investing activities			
Additions of plant and equipment	-	(49)	
Reassessment right of use assets	(16)	-	
Net cash used in investing activities	(16)	(49)	
Cash flows from financing activities			
Repayment of shareholder's loans	-	(710)	
Related loan	(263)	-	
Principal lease payments	(5)	(16)	
Reassessment lease liability	18	-	
Net cash used in financing activities	(250)	(726)	
Net decrease in cash and cash equivalents	(241)	(1,325)	
Cash and cash equivalents at the beginning of year	2,172	2,968	
Cash and cash equivalents at end of the year	1,931	1,643	



UEP Penonomé II, S.A.
and TecniSol Group

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