



UEP Penonomé II, S.A.
and Tecnisol Group

Q2-2021

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD
ENDED JUNE 30, 2021
COMPARED TO THE PERIOD
ENDED JUNE 30, 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.

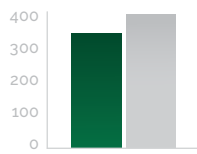
CONTENT

| | |
|----|--|
| 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 |

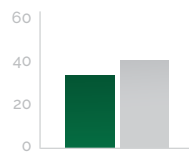
UEPII: THE ISSUER

I. OPERATIONAL HIGHLIGHTS

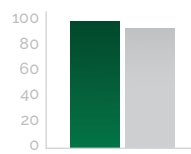
| OPERATIONAL DATA | 2021 | 2020 |
|------------------------------|-------|-------|
| ENERGY BALANCE (GWh) | | |
| Energy Sales | 339.2 | 397.2 |
| Sales through PPA - Discos | 264.8 | 310.2 |
| Sales through PPA - Tecnisol | 18.7 | 18.6 |
| Sales through Spot | 46.6 | 60.9 |
| Compensation | 9.2 | 7.6 |
| PRICES (US\$/MWh) | | |
| Discos avg sales price | 103.0 | 103.4 |
| Tecnisol PPA avg sales price | 65.3 | 74.2 |
| Average Spot Sales price | 69.8 | 61.2 |



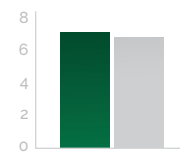
Generation (GWh)
2021: **339.2**
2020: 397.2



Plant Factor (%)
2021: **36.5%**
2020: 42.4%



Operational availability (%)
2021: **98%**
2020: 96.6%



Wind resource (m/s)
2021: **6.99**
2020: 6.74

II. MANAGEMENT DISCUSSION AND ANALYSIS OF MAIN VARIANCES

GENERATION

The electricity produced by UEP II Wind Project depends heavily on wind conditions, which have an uncertainty level of prediction. January to March are high wind season months. During the period ended June 30, 2021 our UEP II Wind Project production was 339.2 GWh, 15% below the 397.2 GWh generated during the previous period ended June 30, 2020.

During the windy season the Project was impacted by blade maintenance in January and lower windspeed in February and March.

These events meant around 58 GWh lower generation than in the same period of 2020. During the non-windy season there has been an increase of the windspeed average compensating only by a fraction the year-to-date generation.

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.

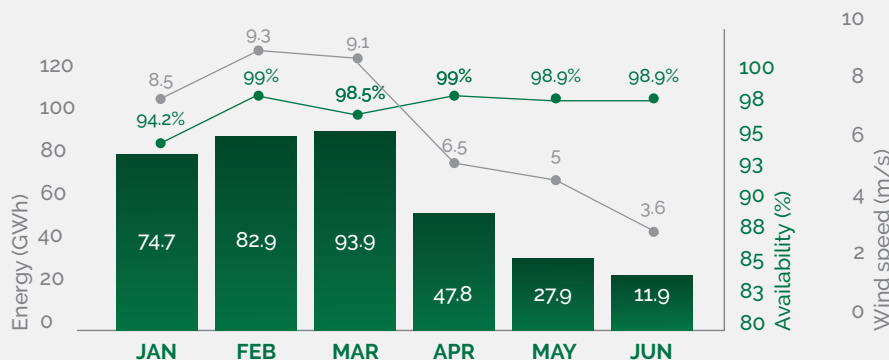
OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended June 30, 2021 was 98.0%, a 1.4% above 96.6% availability of the first semester of 2020. The main causes

of unavailability were the blade's repair carried out in 9 wind turbines during January and the unscheduled maintenance.

Goldwind's availability has been 99.2%, above the guaranteed value of 97%.

GENERATION, WIND SPEED AND AVAILABILITY Q2 2021



III. STATEMENT OF COMPREHENSIVE INCOME

| | As of June 30, | |
|-----------------------------|----------------|----------|
| | 2021 | 2020 |
| Energy revenues | 32,673 | 37,945 |
| Costs of goods and services | (10,631) | (10,766) |
| Gross profit | 22,042 | 27,180 |
| Administrative expenses | (1,816) | (2,036) |
| Operating profit | 20,225 | 25,144 |
| Finance cost, net | (6,309) | (22,568) |
| Other income | 11 | (4) |
| Profit before income tax | 13,928 | 2,572 |
| Income tax | (759) | (2,168) |
| Profit for the period | 13,169 | 404 |

(Thousands of US\$)

REVENUES

The Issuer's energy revenues for the period ended June 30, 2021, were US\$32.673 million, a decrease of US\$5.272 million, or 14%, compared to the Issuer's energy revenues of US\$37.945 million for the same period in 2020. This decrease was primarily attributable to a decrease in wind energy (58.0 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 June 30, 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 June 30, 2021, were US\$ 1.816 million, a decrease of US\$220 thousand, or 11%, as compared to the Issuer's administrative expenses of US\$2.026 million for the period ended June 30, 2020. This decrease was primarily attributable to:

A decrease of US\$369 thousand of salaries and other benefits to employees as part of the cost savings plan implemented since COVID pandemic started.

US\$46 thousand lower professional expenses.

US\$27 thousand lower other expenses.

These decreases were partially offset by:

US\$119 thousand higher substation rent expenses.

US\$64 thousand higher wake effect compensation expenses due to increase in spot prices during June 30, 2021, compared to the same period in 2020.

US\$46 thousand higher insurance costs.

FINANCE COST / NET

The Issuer's total finance costs for the period ended June 30, 2021, were US\$6.309 million, a decrease of US\$16.259 million, or 72%, compared to the Issuer's total finance cost of US\$22.568 million for the period ended June 30, 2020. This decrease was primarily attributable to the SWAP valuation in which it was positive for the current period (US\$3.068 million) as opposed to a cost in the previous period (US\$12.795 million).

INCOME TAX

The Issuer's income tax for the period ended June 30, 2021, was US\$759 thousand, a decrease of US\$1.410 million, compared to the Issuer's income tax of US\$2.168 million for the period ended June 30, 2020. This decrease is attributable to higher current income tax of US\$77 thousand partially offset by a lower deferred tax of US\$1.486 million.

IV. CASH FLOW STATEMENT

| CASH FLOWS FROM OPERATING ACTIVITIES | As of June 30, | |
|---|----------------|---------------|
| | 2021 | 2020 |
| Net cash provided by operating activities | 18,121 | 20,013 |
| Net cash used in provided by investing activities | (15) | (38) |
| Net cash used in financing activities | (3,862) | (6,515) |
| Net (decrease) increase in cash and cash equivalents | 14,244 | 13,460 |
| Cash and cash equivalents and restricted cash at the end of year | 29,116 | 89,751 |

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the six months ended June 30, 2021 and 2020, the Issuer's net cash provided by operating activities was US\$18.121 million and US\$20.013 million, respectively. The main driver for this decrease is explained by (a) US\$3.115 million lower interest paid as the first coupon of the Senior Notes accounted for four months, which will levelized in six month coupon going forward, (b) US\$2.641 million lower accounts payables due to the payment to turbines maintenance supplier; partially offset by US\$1.890 million lower account receivables due invoices rendered to the distribution companies were rescheduled into a 36 months installment scheme from September 2020.

The accounts receivables include US\$759 thousand collected from the Guarantor's loan first coupon with UEPII.

INVESTING ACTIVITIES

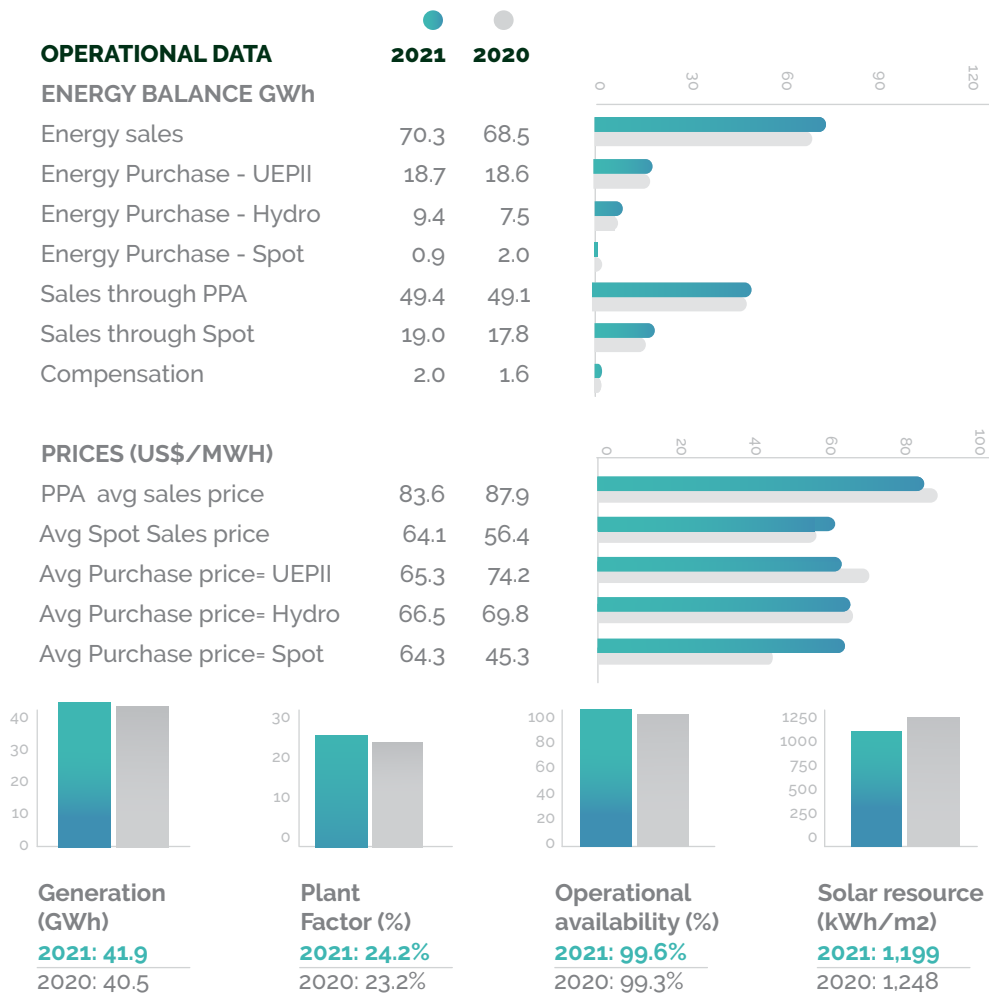
For each of the six months ended June 30, 2021 and 2020, the Issuer's net cash used in investing activities was US\$15 thousand and US\$38 thousand, respectively. There was no material deviation between these periods.

FINANCING ACTIVITIES

For each of the six months ended June 30, 2021 and 2020, the Issuer's net cash used in financing activities was US\$3,862 million and US\$6,515 million, respectively, resulting with a decrease of US\$2.653 million. The first coupon of the Senior Notes repayment was US\$3,685 million representing four months, which will levelized 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



II. MANAGEMENT DISCUSSION AND ANALYSIS OF MAIN VARIANCES

GENERATION

The amount of electricity produced by our Tecnisol Solar Farm is highly dependent on the amount of solar irradiation received by the assets. During the semester ended June 30, 2021 the Tecnisol Solar Farms production was 41.9 GWh. The generation has been a 3.7% above the production in the semester ended June 30, 2020 of 40.5GWh.

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

solar irradiation during this period has been of 1,199 kWh/m2, being a 3.9% below the irradiation for the semester ended June 30, 2020.

In the first semester of 2020, the production was affected by cable insulation issues that reduced the generation. This issue was solved on November 2020.

La Niña phenomenon characterized by higher rains and lower solar resource is still defining the plant results. As it can be seen, the resource and the generation are below P75 values.

OPERATIONS AND AVAILABILITY

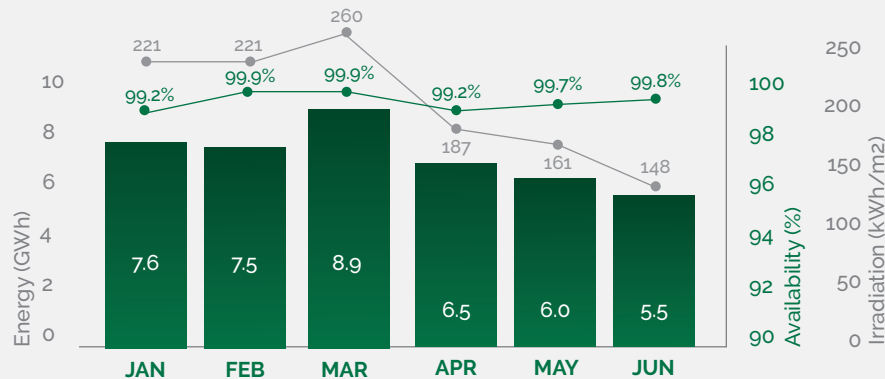
The plant availability for the semester ended June 30, 2021 was 99.6%, a good indicator that our in-house operation has performed better than expected (98%) and that no relevant events have affected the production.

The operational availability has been similar to the value of 99.3% in the semester ended June 30, 2021.

The Plant Factor year to date has been 24.2%. This value is 1% higher than the 23.2% of the first semester of 2020 when the insulation issues were not yet detected but already affecting the plant. It is a clear sign of recovery.

The Performance Ratio year to date has been above the guaranteed values, an average of 84.6%. This value is higher than the 79.7% of the first semester of 2020 because of the same cables issues.

GENERATION, IRRADIATION AND AVAILABILITY Q2 2021



III. STATEMENT OF COMPREHENSIVE INCOME

| | As of June 30, | |
|-----------------------------|----------------|---------|
| | 2021 | 2020 |
| Energy revenues | 5,630 | 5,459 |
| Costs of goods and services | (3,947) | (3,842) |
| Gross profit | 1,682 | 1,617 |
| Administrative expenses | (395) | (415) |
| Operating profit | 1,287 | 1,203 |
| Finance cost | (798) | (648) |
| Income before income tax | 489 | 555 |
| Income tax | (142) | (176) |
| Profit for the period | 347 | 379 |

(Thousands of US\$)

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended June 30, 2021 were US\$5.630 million, an increase of US\$171 thousand, or 3%, compared to the Guarantors' combined energy revenues of US\$5.459 million for the period ended June 30, 2020. This increase was primarily attributable to higher spot sales as a consequence of the rise in the spot sales price (US\$64.1/MWh for the period ended June 30, 2021 compared to US\$56.4/MWh for the period ended June 30, 2020), partially offset by lower sales under the Tecnisol PPAs due to a decrease in the average sales price (US\$83.6/MWh for the period ended June 30, 2021 compared to US\$87.9/MWh for the period ended June 30, 2020).

COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended June 30, 2021 were US\$3.947 million, an increase of US\$106 thousand, compared to the Guarantors' combined cost of goods and services of US\$3.842 million for the period ended June 30, 2020. This increase is primarily attributable to:

An increase of US\$81 thousand repairs and maintenance expenses.

US\$62 thousand higher energy purchases from spot market expenses.

US\$40 thousand higher salaries and other benefits to employees expenses.

These increases were partially offset by: US\$83 thousand lower energy purchases from reserve contracts expenses.

ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended June 30, 2021 remained in line with same figures of last year, as part of the cost control plan implemented since the COVID pandemic started.

FINANCE COST

The Guarantors' combined finance cost for the period ended June 30, 2021 was US\$798 thousand, an increase of US\$150 thousand, compared to the Guarantors' combined finance cost of US\$648 thousand for the period ended June 30, 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 June 30, 2021 was US\$142 thousand, a decrease of US\$34 thousand, compared to the Guarantors' combined finance cost of US\$176 thousand for the period ended June 30, 2020. This decrease is attributable by a lower current income tax.

IV. CASH FLOW STATEMENT

| CASH FLOWS FROM OPERATING ACTIVITIES | As of June 30, | |
|--|----------------|--------------|
| | 2021 | 2020 |
| Net cash provided by operating activities | 1,995 | 1,986 |
| Net cash used in investing activities | (16) | (52) |
| Net cash used in financing activities | (347) | (726) |
| Net decrease in cash and cash equivalents | 1,632 | 1,208 |
| Cash and cash equivalents at end of year | 3,804 | 4,177 |

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the six months ended June 30, 2021 and 2020, the Guarantors' combined net cash provided by operating activities was US\$1.995 million and US\$1.986 million, 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. The interest paid to UEPII loan was US\$433 thousand.

INVESTING ACTIVITIES

For each of the six months ended June 30, 2021 and 2020, the Guarantors' combined net cash used in investing activities was US\$16 thousand and US\$52 thousand, respectively. There was no material deviation between these periods.

FINANCING ACTIVITIES

For each of the six months ended June 30, 2021 and 2020, the Guarantors' combined net cash flows used in financing activities was US\$347 thousand and US\$726 thousand, respectively. This decrease of US\$379 thousand mainly refers to the new payment schedule of the UEPII loan which is longer in tenor than the previous related party loan. The principal amount paid to UEPII was US\$326 thousand.

THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
JUNE 30, 2021

| | As of June 30, 2021 | As of June 30, 2020 | (Thousands of US\$) |
|--|---------------------------|---------------------------|------------------------|
| THE ISSUER'S BALANCE SHEET | | | |
| Current assets | | | |
| Cash and cash equivalents | 29,116 | 14,872 | |
| Trade and other receivables | 8,092 | 8,116 | |
| Current portion of related debt receivable | 560 | 886 | |
| Prepaid expenses | 697 | 634 | |
| Inventory | 40 | 22 | |
| Total current assets | 38,505 | 24,530 | |
| Non-current assets | | | |
| Long-term portion of related debt receivable | 22,379 | 22,379 | |
| Plant and equipment, net | 223,069 | 230,017 | |
| Deferred income tax | 1,432 | 1,479 | |
| Goodwill | 20,000 | 20,000 | |
| Total non-current assets | 266,880 | 273,875 | |
| Total assets | 305,385 | 298,405 | |
| Liabilities and Equity | | | |
| Current liabilities | | | |
| Current portion of bonds | 6,318 | 10,003 | |
| Trade and other payables | 7,038 | 6,568 | |
| Total current liabilities | 13,356 | 16,571 | |
| Non-current liabilities | | | |
| Lease liabilities long term | 8,390 | 8,390 | |
| Long-term of bonds | 244,844 | 244,637 | |
| Derivative financial instrument | 9,266 | 12,334 | |
| Total non-current liabilities | 262,501 | 265,361 | |
| Total liabilities | 275,857 | 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 | (36,313) | (49,483) | |
| Prepaid dividend tax | (134) | (19) | |
| Total equity | 29,528 | 16,474 | |
| Total liabilities and equity | 305,385 | 298,405 | |

THE ISSUER'S INCOME STATEMENT

| | As of June 30, 2021 | As of June 30, 2020 | (Thousands of US\$) |
|---------------------------------------|----------------------------------|----------------------------------|------------------------|
| Energy revenues | 32,673 | 37,945 | |
| Costs of goods and services | (10,631) | (10,766) | |
| Gross profit | 22,042 | 27,180 | |
| Administrative expenses | (1,816) | (2,036) | |
| Operating profit | 20,225 | 25,144 | |
| Finance cost, net | (6,309) | (22,568) | |
| Other income | 11 | (4) | |
| Profit before income tax | 13,928 | 2,572 | |
| Income tax | (759) | (2,168) | |
| Total comprehensive loss for the year | 13,169 | 404 | |

THE ISSUER'S CASH FLOW

| | As of June 30, 2021 | As of June 30, 2020 | (Thousands of US\$) |
|--|----------------------------------|----------------------------------|------------------------|
| Cash flows from operating activities | | | |
| (Loss) profit before income tax | 13,928 | 2,572 | |
| Adjustments to reconcile (loss) profit before income tax to net cash provided by operating activities: | | | |
| Depreciation and amortization | 6,963 | 6,971 | |
| Finance cost amortization | 207 | 398 | |
| Interest on borrowings and lease liabilities, net | 10,125 | 9,374 | |
| Fair value loss on derivative financial instrument | (3,068) | 12,795 | |
| Net changes in assets and liabilities: | | | |
| Trade and other receivables | 397 | (1,493) | |
| Trade and other payables | (4,367) | (1,726) | |
| Prepaid expenses | (63) | 221 | |
| Inventory | (17.6) | - | |
| Interest paid | (5,984) | (9,100) | |
| Net cash provided by operating activities | 18,121 | 20,013 | |
| Cash flows from investing activities | | | |
| Additions of plant and equipment | (15) | (38) | |
| Net cash used in provided by investing activities | (15) | (38) | |
| Cash flows from financing activities | | | |
| Repayment of long-term debt | - | (6,414) | |
| Issued bonds | (3,685) | - | |
| Principal lease payments | (62) | (101) | |
| Prepaid dividend tax | (115) | - | |
| Net cash used in financing activities | (3,862) | (6,515) | |
| Net (decrease) increase in cash and cash equivalents | 14,244 | 13,460 | |
| 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 | 29,116 | 89,751 | |

THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
MARCH 31, 2021

| | As of June 30, 2021 | As of December 31, 2020 | (Thousands of US\$) |
|---|---------------------------|-------------------------------|------------------------|
| THE GUARANTOR'S COMBINED BALANCE SHEET | | | |
| Current assets | | | |
| Cash and cash equivalents | 3,804 | 2,172 | |
| Trade and other receivables | 1,816 | 1,366 | |
| Prepaid expenses and other assets | 347 | 794 | |
| Inventory | 5 | - | |
| Total current assets | 5,973 | 4,332 | |
| Non-current assets | | | |
| Plant and equipment, net | 36,599 | 38,030 | |
| Intangible assets | 233 | 238 | |
| Total non-current assets | 36,832 | 38,268 | |
| Total assets | 42,804 | 42,601 | |
| Liabilities and Equity | | | |
| Current liabilities | | | |
| Lease liabilities short-term | 10 | 19 | |
| Current portion of related loan | 560 | 886 | |
| Trade and other payables | 1,269 | 1,066 | |
| Total current liabilities | 1,838 | 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 | 25,436 | 25,550 | |
| Equity | | | |
| Parent company investment | 40 | 40 | |
| Capital Contribution | 16,679 | 16,679 | |
| Retained earnings (accumulated deficit) | 738 | 391 | |
| Prepaid dividend tax | (89) | (59) | |
| Total equity | 17,369 | 17,051 | |
| Total liabilities and equity | 42,804 | 42,601 | |

**THE GUARANTOR'S COMBINED
INCOME STATEMENT**

| | As of June 30, 2021 | As of June 30, 2020 | (Thousands of US\$) |
|-----------------------------|----------------------------------|----------------------------------|------------------------|
| Energy revenue | 5,630 | 5,459 | |
| Costs of goods and services | (3,947) | (3,842) | |
| Gross profit | 1,682 | 1,617 | |
| Administrative expenses | (395) | (415) | |
| Operating profit | 1,287 | 1,203 | |
| Finance costs | (798) | (648) | |
| Income before income tax | 489 | 555 | |
| Income tax | (142) | (176) | |
| Profit for the period | 347 | 379 | |

**THE GUARANTOR'S COMBINED
CASH FLOW**

| | As of June 30, 2021 | As of June 30, 2020 | (Thousands of US\$) |
|---|----------------------------------|----------------------------------|------------------------|
| Cash flows from operating activities | 489 | 555 | |
| Income before income tax | | | |
| Adjustments to reconcile income before income tax to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,452 | 1,443 | |
| Interest on borrowings and lease liabilities, net | 798 | 648 | |
| Changes in assets and liabilities: | | | |
| Trade and other receivables | (450) | 360 | |
| Trade and other payables | (304) | (730) | |
| Prepaid expenses and other assets | 448 | 17 | |
| Inventory | (5) | - | |
| Interest paid | (433) | (305) | |
| Net cash provided by operating activities | 1,995 | 1,986 | |
| Cash flows from investing activities | | | |
| Additions of plant and equipment | - | (52) | |
| Reassessment right of use assets | (16) | - | |
| Net cash used in investing activities | (16) | (52) | |
| Cash flows from financing activities | | | |
| Repayment of shareholder's loans | - | (710) | |
| Related loan | (326) | - | |
| Prepaid dividend tax | (30) | - | |
| Principal lease payments | (9) | (16) | |
| Reassessment lease liability | 18 | - | |
| Net cash used in financing activities | (347) | (726) | |
| Net decrease in cash and cash equivalents | 1,632 | 1,208 | |
| Cash and cash equivalents at the beginning of year | 2,172 | 2,968 | |
| Cash and cash equivalents at end of the year | 3,804 | 4,177 | |



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and TecniSol Group

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