



UEP Penonomé II, S.A.  
and Tecnisol Group

# Q3-2021

## MANAGEMENT DISCUSSION AND ANALYSIS

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

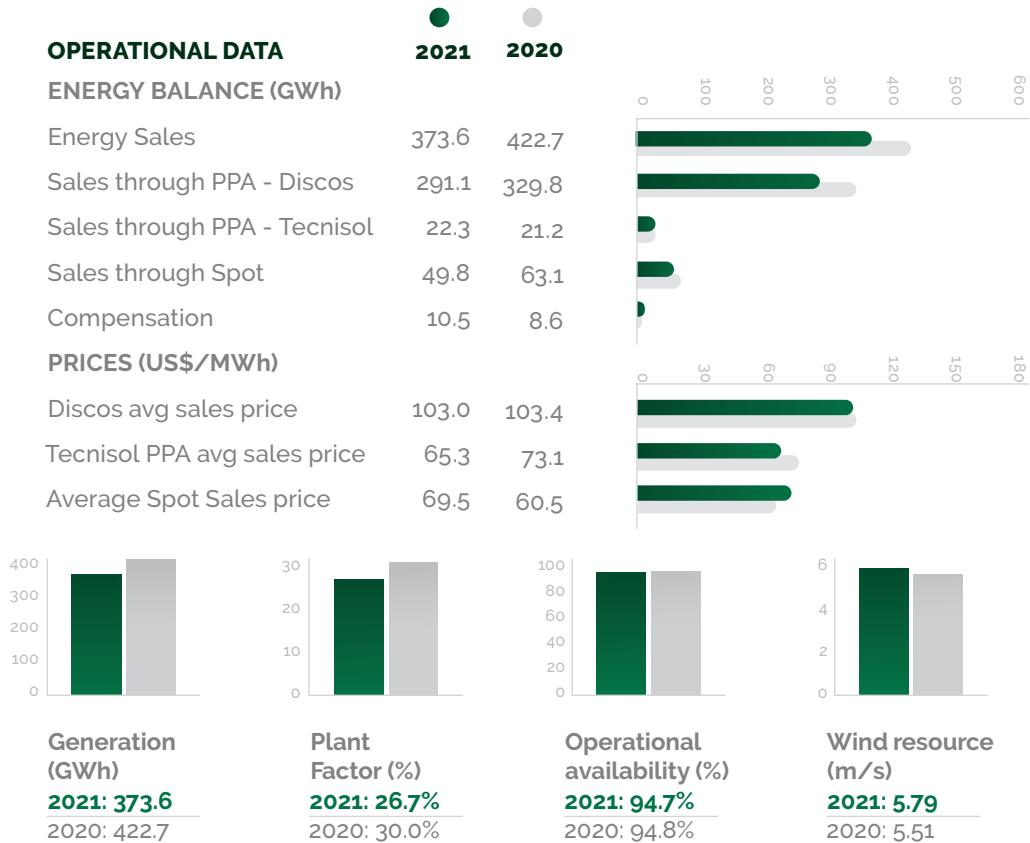
Under Section 5.04, the Issuer and the Guarantors shall provide within 60 days of the end of the first three Fiscal Quarters of each Fiscal Year of the Issuer unaudited consolidated quarterly financial statements of the Issuer and the Guarantors (including a balance sheet, statement of comprehensive 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.

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# UEPII: THE ISSUER

## I. OPERATIONAL HIGHLIGHTS



## II. MANAGEMENT DISCUSSION AND ANALYSIS OF MAIN VARIANCES

### GENERATION

The electricity produced by UEP II Wind Project depends heavily on wind conditions, which are variable and difficult to predict. January to April are high wind season months. During the first nine months ended September 30, 2021 our UEP II Wind Project production was 373.6 GWh, 12% below the 422.7 GWh generated during the same period of the previous year ended September 30, 2020.

#### Analysis of the Wind Resource

As of September 2021, the average wind speed was 5.79 m/s, 4.9% higher than the previous year. During the high wind months of the season (January to April), the average wind speed was 8.3

m/s, in similar values than the previous year, while during the non-windy season (May – September) of 2021 there has been a wind speed average of 3.7 m/s, a 14% higher than the same period in 2020.

Despite the higher average wind speed there was no influence on the electricity generation because this increase coincided with the low wind season and thus, wasn't capture in the production.

La Niña Phenomenon that caused the extension of the non-windy season has extended thus affecting the performance of the turbines more than anticipated. The last predictions, give probabilities between 70 and 90% of La Niña until February 2022.

El Niño/Southern oscillation (ENSO) diagnostic discussion, Climate Prediction Center/NCEP/NWS and the International Research Institute for Climate and Society.

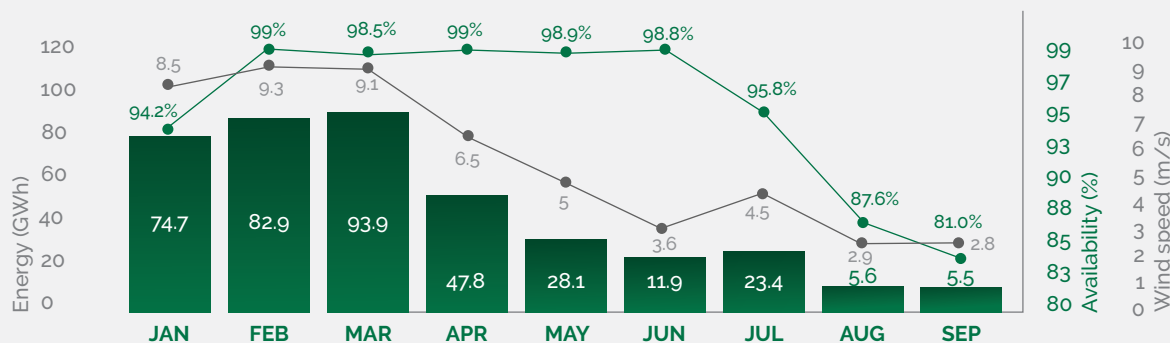
### OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended September 30, 2021, was 94.7%, a 0.1% below 94.8% availability of the same period of 2020. The main causes of unavailability are caused by

the blade's repairs carried out during July, August and September.

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

### GENERATION, WIND SPEED AND AVAILABILITY Q1, Q2 AND Q3 2021



## III. STATEMENT OF COMPREHENSIVE INCOME

	As of September 30,	
	2021	2020
Energy revenues	35,958	40,337
Costs of goods and services	(16,495)	(16,030)
Gross profit	19,463	24,307
Administrative expenses	(2,495)	(3,101)
Operating profit	16,967	21,206
Finance cost, net	(10,767)	(25,144)
Other income	11	(6)
Profit before income tax	6,211	(3,944)
Income tax	(17)	176
Profit for the period	6,194	(3,768)

(Thousands of US\$)

### REVENUES

The Issuer's energy revenues for the period ended September 30, 2021, were US\$35.958 million, a decrease of US\$4.379 million, or 11%, compared to the Issuer's energy revenues of US\$40.337 million for the same period in 2020. This decrease was primarily attributable to a decrease in wind energy (49.1 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 September 30, 2021, remained in line with same figures of last year, as part of the cost control plan implemented since the COVID pandemic started. The slightly increase by US\$465 thousand is due to blades maintenance.

## ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the period ended September 30, 2021, were US\$ 2.495 million, a decrease of US\$606 thousand, or 20%, as compared to the Issuer's administrative expenses of US\$3.101 million for the period ended September 30, 2020. This decrease was primarily attributable to:

A decrease of US\$564 thousand of salaries and other benefits to employees as part of the cost savings plan implemented since COVID pandemic started.

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US\$70 thousand lower professional expenses.

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US\$330 thousand lower other expenses.

These decreases were partially offset by:

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US\$142 thousand higher substation rent expenses.

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US\$83 thousand higher wake effect compensation expenses due to increase in spot prices during September 30, 2021, compared to the same period in 2020.

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US\$122 thousand higher insurance costs.

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### FINANCE COST / NET

The Issuer's total finance costs for the period ended September 30, 2021, were US\$10.767 million, a decrease of US\$14.377 million, or 57%, compared to the Issuer's total finance cost of US\$25.144 million for the period ended September 30, 2020. This decrease was primarily attributable to the SWAP valuation in which it was positive for the current period (US\$3.326 million) as opposed to a cost in the previous period (US\$10.937 million).

### INCOME TAX

The Issuer's income tax for the period ended September 30, 2021, was US\$17 thousand, compared to the Issuer's income tax of US\$176 thousand in favor for the period ended September 30, 2020. This increase is attributable to a higher deferred tax of US\$193 thousand.

## IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	As of September 30,	
	2021	2020
Net cash provided by operating activities	27,680	27,193
Net cash used in provided by investing activities	2,049	(43)
Net cash used in financing activities	(24,613)	(34,855)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,117</b>	<b>(7,705)</b>
<b>Cash and cash equivalents of the period</b>	<b>19,988</b>	<b>68,586</b>

(Thousands of US\$)

## LIQUIDITY

### OPERATING ACTIVITIES

For each of the nine months ended September 30, 2021 and 2020, the Issuer's net cash provided by operating activities was US\$27.680 million and US\$27.193 million, which is a slightly increase.

Account receivables are higher due to collection of invoices from distribution companies were rescheduled into a 36 months installment scheme from September 2020.

### INVESTING ACTIVITIES

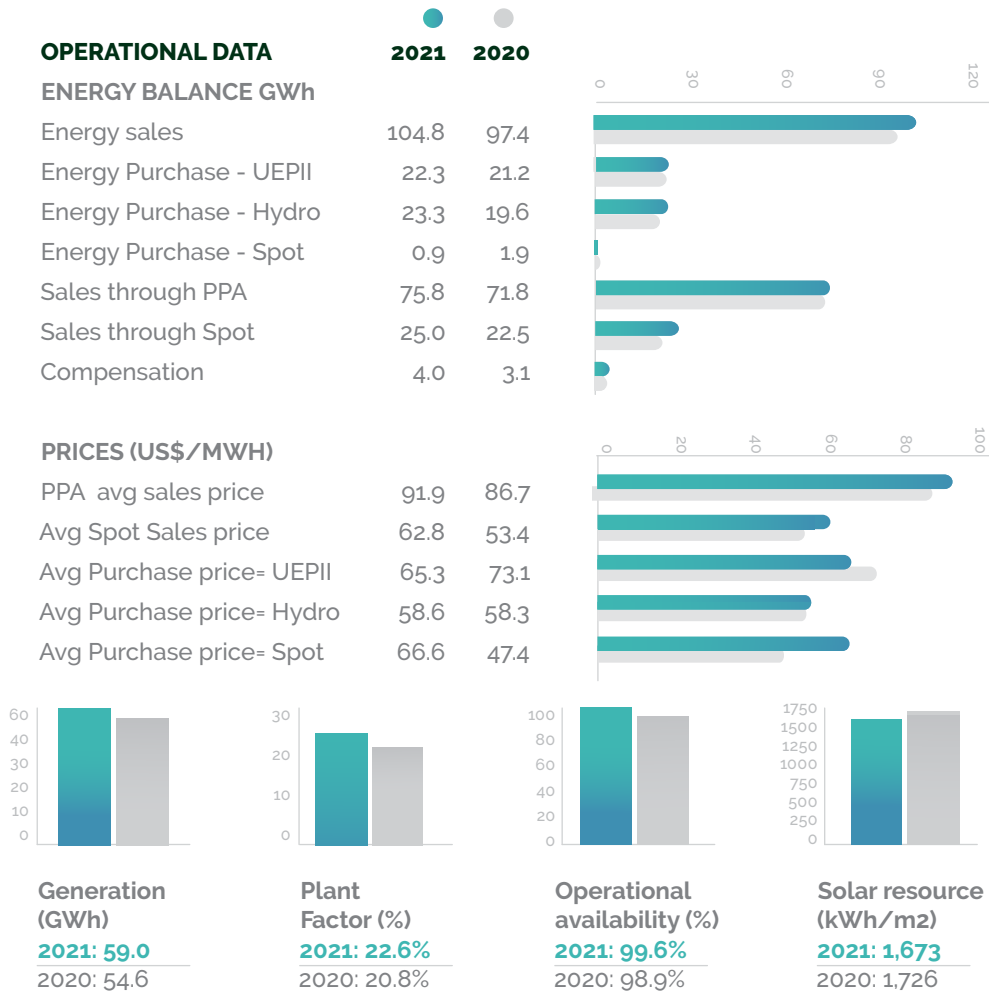
For each of the nine months ended September 30, 2021 and 2020, the Issuer's net cash used in investment activities was US\$2.049 million and US\$(43) thousand, respectively. The main variation for 2021 corresponds to collection from Guarantor loan, first and second coupon with Issuer's for interest and loan principal by US\$2.064 thousand.

### FINANCING ACTIVITIES

For each of the nine months ended September 30, 2021 and 2020, the Issuer's net cash used in financing activities was US\$24.613 million and US\$34.855 million, respectively, resulting with a decrease of US\$10.242 million. The main driver for this decrease is explained by first and second coupon of the Senior Bonds by US\$10.003 million representing nine months, which will be leveled in nine-month coupon going forward compared to the previous capital repayment under IFC schedule of US\$17.262 million. Additionally, the variation of US\$3.071 million lower interest paid for the first and second coupon.

# 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 Project is highly dependent on the amount of solar irradiation received by the assets. During the first nine months ended September 30, 2021, the Tecnisol Solar Project's energy generation was 59.0 GWh. The generation has been an 8% above the production in the same period ended September 30, 2020, of 54.6GWh.

The solar irradiation during this period has been of 1,673 kWh/m2, being a 3% below the irradiation for the same period ended September 30, 2020.

From the results above, it can be seen that La Niña phenomenon characterized by higher rains and lower solar resource is still defining the plant results. Both the resource and the generation are below P75 values but the generation is higher than in 2020 since no operational highlights have affected the production of the first nine months of the current year.

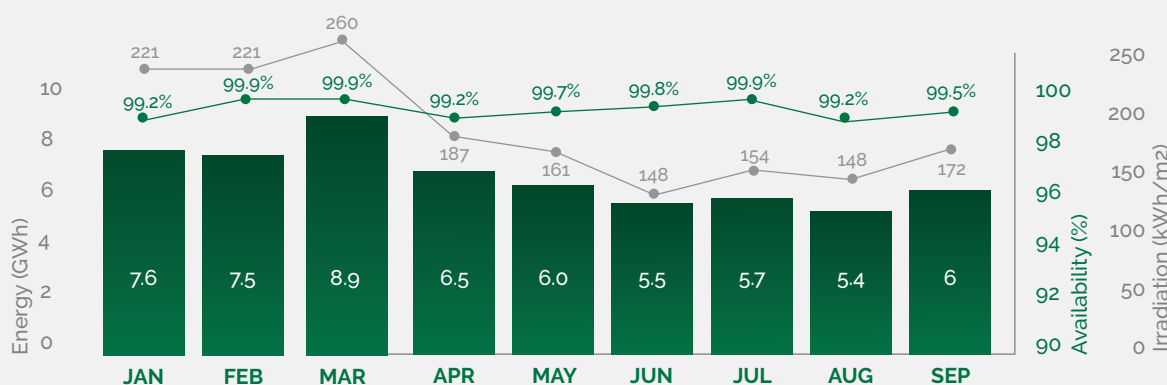
### OPERATIONS AND AVAILABILITY

The O&M availability, measured in the inverters, for the first nine months ended September 30, 2021, was 99.8%, a good indicator that our in-house operation has performed better than expected (98%). The global availability of the plant has been 99.6%, being an indicator that the plant is performing well, and no relevant events have affected the production.

The operational availability has been above the value of 98.9%% in the same period ended September 30, 2021.

The Performance Ratio year to date has been above the guaranteed values, an average of 85.1%. This value is higher than the 77.1% of the same period in 2020 when the insulation issues were affecting the plant. It is a clear sign of recovery and the fact that no new issues have raised.

### GENERATION, IRRADIATION AND AVAILABILITY Q1, Q2 AND Q3 2021



## III. STATEMENT OF COMPREHENSIVE INCOME

	As of September 30,	
	2021	2020
Energy revenues	8,964	7,696
Costs of goods and services	(6,473)	(5,888)
Gross profit	2,491	1,809
Administrative expenses	(635)	(588)
Operating profit	1,856	1,220
Finance cost	(1,205)	(955)
Income before income tax	651	312
Income tax	(171)	(141)
Profit for the period	480	171

(Thousands of US\$)

### ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended September 30, 2021 were US\$8.964 million, an increase of US\$1.268 million, or 16%, compared to the Guarantors' combined energy revenues of US\$7.696 million for the period ended September 30, 2020. This increase was primarily attributable to higher spot sales as a consequence of the rise in the spot sales price (US\$62.8/MWh for the period ended September 30, 2021 compared to US\$53.4/MWh for the period ended September 30, 2020). Additionally, The Guarantor has been exporting energy to the Regional Electricity Market (MER) with firm contracts through firm transmission rights with its counterpart MERELEC from Guatemala by US\$628 thousand.

### COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended September 30, 2021 were US\$6.473 million, an increase of US\$585 thousand, compared to the Guarantors' combined cost of goods and services of US\$5.888 million for the period ended September 30, 2020. This increase is primarily attributable to:

US\$607 thousand higher energy purchases from spot market and regional expenses.

US\$94 thousand higher energy purchases from reserve contracts expenses.

US\$64 thousand higher salaries and other benefits to employees expenses.

These increases were partially offset by: A decrease of US\$184 thousand repairs and maintenance expenses.



## ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended September 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 September 30, 2021 was US\$1.205 thousand, an increase of US\$250 thousand, compared to the Guarantors' combined finance cost of US\$955 thousand for the period ended September 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 September 30, 2021 was US\$171 thousand, an increase of US\$30 thousand, compared to the Guarantors' combined finance cost of US\$141 thousand for the period ended September 30, 2020. This increase is attributable to a higher current income tax.

## IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	As of September 30,	
	2021	2020
Net cash provided by operating activities	3,725	2,558
Net cash used in investing activities	(16)	(78)
Net cash used in financing activities	(2,090)	(1,072)
<b>Net increases in cash and cash equivalents</b>	<b>1,619</b>	<b>1,408</b>
<b>Cash and cash equivalents at end of the period</b>	<b>3,791</b>	<b>4,376</b>

(Thousands of US\$)

## LIQUIDITY

### OPERATING ACTIVITIES

For each of the nine months ended September 30, 2021 and 2020, the Guarantors' combined net cash provided by operating activities was US\$3.725 million and US\$2.558 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.

### INVESTING ACTIVITIES

For each of the nine months ended September 30, 2021 and 2020, the Guarantors' combined net cash used in investing activities was US\$16 thousand and US\$78 thousand, respectively. There was no material deviation between these periods.

### FINANCING ACTIVITIES

For each of the nine months ended September 30, 2021 and 2020, the Guarantors' combined net cash flows used in financing activities was US\$2.090 million and US\$1.072 million, respectively. This increase of US\$1.018 million mainly refers to the first and second payment schedule of the UEP2 loan. The principal amount paid to UEP2 was US\$886 thousand and the interest paid to UEP2 loan was US\$1.178 thousand.

# THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED  
SEPTEMBER 30, 2021

	As of September 30, 2021	As of December 31, 2020	(Thousands of US\$)
<b>THE ISSUER'S BALANCE SHEET</b>			
<b>Current assets</b>			
Cash and cash equivalents	19,988	14,872	
Trade and other receivables	3,720	8,116	
Current portion of related debt receivable	899	886	
Prepaid expenses	596	634	
Inventory	43	22	
<b>Total current assets</b>	<b>25,248</b>	<b>24,530</b>	
<b>Non-current assets</b>			
Long-term portion of related debt receivable	21,480	22,379	
Plant and equipment, net	219,592	230,017	
Deferred income tax	1,461	1,479	
Goodwill	20,000	20,000	
<b>Total non-current assets</b>	<b>262,533</b>	<b>273,875</b>	
<b>Total assets</b>	<b>287,781</b>	<b>298,405</b>	
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Current portion of bonds	10,149	10,003	
Trade and other payables	2,846	6,568	
<b>Total current liabilities</b>	<b>12,995</b>	<b>16,571</b>	
<b>Non-current liabilities</b>			
Lease liabilities long term	8,390	8,390	
Long-term of bonds	234,835	244,637	
Derivative financial instrument	9,008	12,334	
<b>Total non-current liabilities</b>	<b>252,233</b>	<b>265,361</b>	
<b>Total liabilities</b>	<b>265,228</b>	<b>281,932</b>	
<b>Equity</b>			
Common shares with US\$1.00 par value each; authorized and issued: 1,050 shares	1	1	
Capital contribution	65,974	65,974	
Accumulated deficit	(43,289)	(49,483)	
Prepaid dividend tax	(134)	(19)	
<b>Total equity</b>	<b>22,553</b>	<b>16,474</b>	
<b>Total liabilities and equity</b>	<b>287,781</b>	<b>298,405</b>	

**THE ISSUER'S INCOME STATEMENT**

As of  
September 30,  
**2021**

As of  
September 30,  
**2020**

(Thousands  
of US\$)

Energy revenues	35,958	40,337
Costs of goods and services	(16,495)	(16,030)
Gross profit	19,463	24,307
Administrative expenses	(2,495)	(3,101)
Operating profit	16,967	21,206
Finance cost, net	(10,767)	(25,144)
Other income	11	(6)
Profit (loss) before income tax	6,211	(3,944)
Income tax	(17)	176
Profit (loss) for the period	6,194	(3,768)

# THE ISSUER'S CASH FLOW

	As of September 30, <b>2021</b>	As of September 30, <b>2020</b>	(Thousands of US\$)
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax	6,211	(3,944)	
Adjustments to reconcile (loss) profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	10,440	10,456	
Finance cost amortization	347	598	
Interest on borrowings and lease liabilities, net	14,785	13,445	
Fair value loss on derivative financial instrument	(3,326)	10,937	
<b>Net changes in assets and liabilities:</b>			
Trade and other receivables	3,235	(196)	
Trade and other payables	(4,029)	(3,987)	
Prepaid expenses	38	(116)	
Inventory	(21)	-	
Net cash provided by operating activities	27,680	27,193	
<b>Cash flows from investing activities</b>			
Additions of plant and equipment	(15)	(43)	
Collection for loan intercompany	886	-	
Received interest	1,178	-	
Net cash used in provided by investing activities	2,049	(43)	
<b>Cash flows from financing activities</b>			
Repayment of long-term debt	-	(17,263)	
Issued bonds	(10,003)	-	
Interest paid	(14,401)	(17,472)	
Principal lease payments	(94)	(101)	
Prepaid dividend tax	(115)	(19)	
Net cash used in financing activities	(24,613)	(34,855)	
<b>Net increase (decreases) in cash and cash equivalents</b>	<b>5,117</b>	<b>(7,705)</b>	
<b>Cash and cash equivalents at the beginning of year</b>	<b>14,872</b>	<b>76,291</b>	
<b>Cash and cash equivalents of the period</b>	<b>19,998</b>	<b>68,586</b>	

# THE GUARANTOR'S COMBINED BALANCE SHEET

FOR THE PERIOD ENDED  
SEPTEMBER 30, 2021

<b>THE GUARANTOR'S COMBINED BALANCE SHEET</b>	As of September 30, <b>2021</b>	As of December 31, <b>2020</b>	(Thousands of US\$)
<b>Current assets</b>			
Cash and cash equivalents	3,791	2,172	
Trade and other receivables	1,920	1,366	
Prepaid expenses and other assets	675	794	
Inventory	5	-	
<b>Total current assets</b>	<b>6,392</b>	<b>4,332</b>	
<b>Non-current assets</b>			
Plant and equipment, net	35,875	38,030	
Intangible assets	230	238	
<b>Total non-current assets</b>	<b>36,105</b>	<b>38,268</b>	
<b>Total assets</b>	<b>42,497</b>	<b>42,601</b>	
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Lease liabilities short-term	5	19	
Current portion of related loan	899	886	
Trade and other payables	1,394	1,066	
<b>Total current liabilities</b>	<b>2,298</b>	<b>1,970</b>	
<b>Non-current liability</b>			
Lease liabilities long term	1,218	1,201	
Long-term of related loan	21,480	22,379	
<b>Total non-current liability</b>	<b>22,698</b>	<b>23,580</b>	
<b>Total liabilities</b>	<b>24,996</b>	<b>25,550</b>	
<b>Equity</b>			
Parent company investment	40	40	
Capital Contribution	16,679	16,679	
Retained earnings (accumulated deficit)	871	391	
Prepaid dividend tax	(89)	(59)	
<b>Total equity</b>	<b>17,501</b>	<b>17,051</b>	
<b>Total liabilities and equity</b>	<b>42,497</b>	<b>42,601</b>	

**THE GUARANTOR'S COMBINED  
INCOME STATEMENT**

	As of September 30, <b>2021</b>	As of September 30, <b>2020</b>	(Thousands of US\$)
Energy revenue	8,964	7,696	
Costs of goods and services	(6,473)	(5,888)	
Gross profit	2,491	1,809	
Administrative expenses	(635)	(588)	
Operating profit	1,856	1,220	
Finance costs	(1,205)	(955)	
Income before income tax	651	312	
Income tax	(171)	(141)	
Profit for the period	480	171	

**THE GUARANTOR'S COMBINED  
CASH FLOW**

	As of September 30, <b>2021</b>	As of September 30, <b>2020</b>	(Thousands of US\$)
<b>Cash flows from operating activities</b>	651	312	
Income before income tax			
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation and amortization	2,179	2,165	
Interest on borrowings and lease liabilities, net	1,205	955	
<b>Changes in assets and liabilities:</b>			
Trade and other receivables	(554)	74	
Trade and other payables	130	(794)	
Prepaid expenses and other assets	119	(155)	
Inventory	(5)	-	
Net cash provided by operating activities	3,725	2,558	
<b>Cash flows from investing activities</b>			
Additions of plant and equipment	-	(78)	
Reassessment right of use assets	(16)	-	
Net cash used in investing activities	(16)	(78)	
<b>Cash flows from financing activities</b>			
Repayment of shareholder's loans	-	(710)	
Related loan	(886)	-	
Interest paid	(1,178)	(305)	
Prepaid dividend tax	(30)	(41)	
Principal lease payments	(14)	(16)	
Reassessment lease liability	18	-	
Net cash used in financing activities	(2,090)	(1,072)	
<b>Net increase in cash and cash equivalents</b>	1,619	1,408	
<b>Cash and cash equivalents at the beginning of year</b>	2,172	2,968	
<b>Cash and cash equivalents at end of the period</b>	3,791	4,376	



UEP Penonomé II, S.A.  
and TecniSol Group

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