



UEP Penonomé II, S.A.
and Tecnisol Group

Q1-2022

**MANAGEMENT
DISCUSSION
AND ANALYSIS**
FOR THE PERIOD
ENDED MARCH 31, 2022
COMPARED TO THE PERIOD
ENDED MARCH 31, 2021



The present report is presented in compliance with the indenture dated March 9, 2021 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.

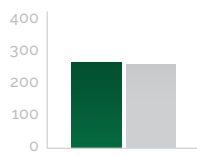
CONTENT

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

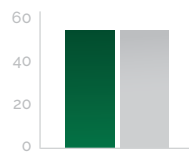
UEPII: THE ISSUER

I. OPERATIONAL HIGHLIGHTS

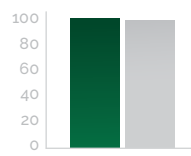
OPERATIONAL DATA	2022	2021
ENERGY BALANCE (GWh)		
Energy Sales	252.0	251.5
Sales through PPA - Discos	198.8	197.0
Sales through PPA - Tecnisol	13.0	11.8
Sales through Spot	36.2	36.8
Compensation	3.9	6.0
PRICES (US\$/MWh)		
Discos avg sales price	103.7	102.9
Tecnisol PPA avg sales price	65.3	65.3
Average Spot Sales price	166.2	72.2



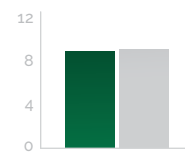
Generation (GWh)
2022: 252.0
2021: 251.5



Plant Factor (%)
2022: 54.4%
2021: 54.3%



Operational availability (%)
2022: 99.1%
2021: 97.2%



Wind resource (m/s)
2022: 8.95
2021: 8.96

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 March are high wind season months. During the Q1 ended March 31, 2022, our UEP II Wind Project production was 252.0 GWh, 0.2% above the 251.52 GWh generated during the same period of the previous year ended March 31, 2021.

ANALYSIS OF THE WIND RESOURCE

The average wind resource for the first

trimester of 2022 has been 8.9 m/s, being the same value than the previous year.

An explanation to this is the presence of La Niña Phenomenon that causes the extension of the non-windy season. 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. It is expected La Niña phenomenon to continue during the whole 2022 period.

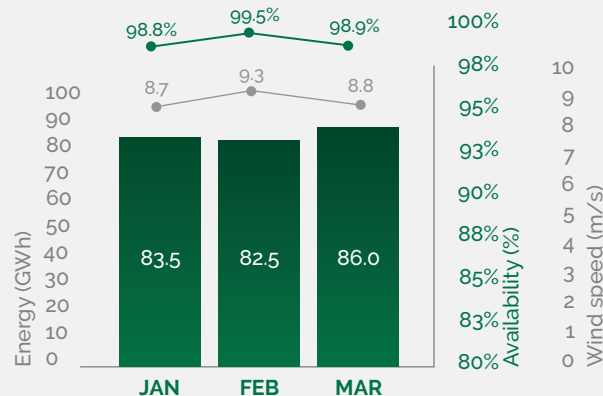


OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended March 31, 2022 was 99.1%, a 1.9% above 97.2% availability of the same period of 2021.

Goldwind's availability has been 99.04%, above the guaranteed value of 97%.

GENERATION, WIND SPEED AND AVAILABILITY Q1 2022



III. STATEMENT OF COMPREHENSIVE INCOME

	As of March 31,	
	2022	2021
Energy revenues	27,908	24,302
Costs of goods and services	(5,278)	(5,500)
Gross profit	22,630	18,802
Administrative expenses	(1,071)	(954)
Operating profit	21,560	17,847
Finance cost, net	(1,175)	(1,353)
Other income	21	11
Profit before income tax	20,406	16,506
Income tax	(724)	(2,195)
Profit for the period	19,682	14,311

In thousands of US\$

REVENUES

The Issuer's energy revenues for the period ended March 31, 2022, were US\$27.908 million, an increase of US\$3.606 million, or 15%, compared to the Issuer's energy revenues of US\$24.302 million for the same period in 2021. This increase was primarily attributable to a positive impact of spot sales due to higher spot prices (US\$166.2/MWh vs US\$72.2/MWh) caused by an increase in international fuel prices and a lack of hydroelectric generation during the first quarter of 2022.

COSTS OF GOODS AND SERVICES

The Issuer's cost of goods and services for the period ended March 31, 2022, 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, 2022, were US\$ 1.071 million, an increase of US\$116 thousand, or 12%, as compared to the Issuer's administrative expenses of US\$954 thousand for the period ended March 31, 2021. This increase was primarily attributable to:

US\$166 thousand higher wake effect compensation expenses due to increase in spot prices during March 31, 2022, compared to the same period in 2021 (caused by an increase in the international fuel prices and a lack of hydro generation).

US\$24 thousand higher insurance costs.

These increases were partially offset by:

US\$61 thousand lower substation share asset expenses.

FINANCE COST / NET

The Issuer's total finance costs for the period ended March 31, 2022, were US\$1.175 million, a decrease of US\$178 thousand, or 13%, compared to the Issuer's total finance cost of US\$1.353 million for the period ended March 31, 2021.

INCOME TAX

The Issuer's income tax for the period ended March 31, 2022, was US\$724 thousand, compared to the Issuer's income tax of US\$2.195 million for the period ended March 31, 2021. This decrease is attributable to a lower deferred tax of US\$2.454 million partially offset by US\$983 thousand higher current income tax.



IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2021
Net cash provided by operating activities	11,863	5,531
Net cash provided by investing activities	993	597
Net cash used in financing activities	(11,899)	(8,760)
Net (decrease) increase in cash and cash equivalents	956	(2,633)
Cash and cash equivalents at the end of the period	6,442	12,239

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the three months ended March 31, 2022 and 2021, the Issuer's net cash provided by operating activities was US\$11.863 million and US\$5.531 million. The main driver for this increase is mainly explained by US\$3.900 million increase in profit before income tax, US\$947 thousand lower income tax paid, US\$1.002 lower account receivables, and US\$917 thousand lower account payables.

INVESTING ACTIVITIES

For each of the three months ended March 31, 2022 and 2021, the Issuer's net cash provided by investment activities was US\$993 thousand and US\$597 thousand, respectively. The main variation for 2022 corresponds to collection from Guarantor loan, The principal amount collected from UEP2 was US\$309 thousand and the interest was US\$727 thousand.

FINANCING ACTIVITIES

For each of the three months ended March 31, 2022 and 2021, the Issuer's net cash used in financing activities was US\$11.899 million and US\$8.760 million, respectively. The main driver for this increase is explained by first coupon of the Senior Bonds by US\$3.131 million representing six months versus three months in 2021.

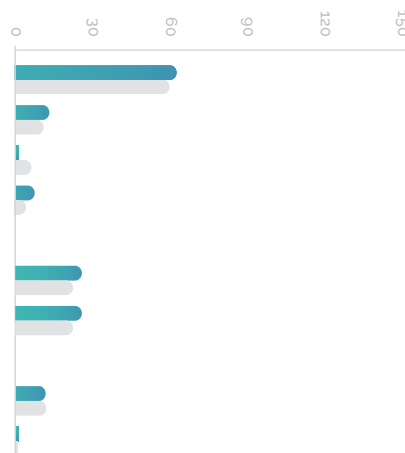
TECNISOL GROUP: THE GUARANTORS

I. OPERATIONAL HIGHLIGHTS

OPERATIONAL DATA

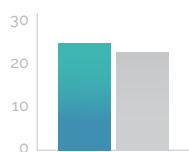
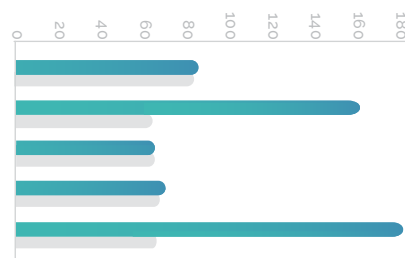
ENERGY BALANCE (GWh)

	2022	2021
Energy sales	64.9	60.3
Energy Purchase - UEPII	13.0	11.8
Energy Purchase - Hydro	0.1	0.7
Energy Purchase - Spot	0.8	0.4
Exports from MER	-	-
Sales through PPA	26.0	23.5
Large clients	26.0	23.5
MERELEC	-	-
Sales through Spot	11.9	12.2
Compensation	1.0	1.0



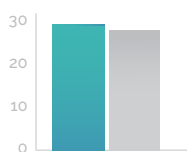
PRICES (US\$/MWH)

PPA avg sales price	84.8	83.5
Avg Spot Sales price	161.6	67.5
Avg Purchase price= UEPII	65.3	65.3
Avg Purchase price= Hydro	70.6	68.0
Avg Purchase price= Spot	180.2	68.0



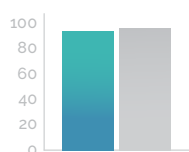
Generation (GWh)

2022: 24.5
2021: 23.9



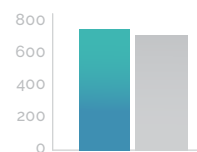
Plant Factor (%)

2022: 28.4%
2021: 27.7%



Operational availability (%)

2022: 98.5%
2021: 99.7%



Solar resource (kWh/m2)

2022: 722
2021: 703

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 trimester ended March 31, 2022 the Tecnisol Solar Project's energy generation was 24.5 GWh. The generation

has been a 2.5% above the production in the trimester ended March 31, 2021 of 23.9 GWh.

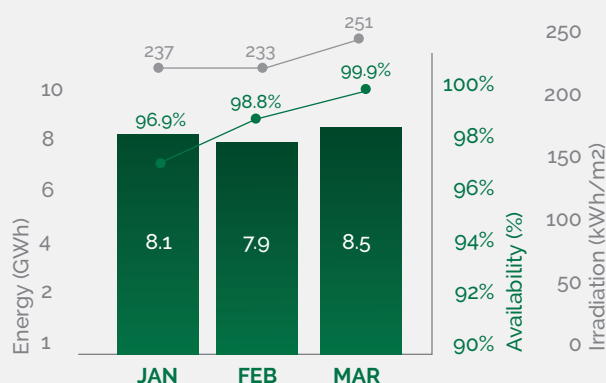
The solar irradiation during this period has been of 722 kWh/m2, being a 2.7% above the irradiation for the same period ended March 31, 2021.



OPERATIONS AND AVAILABILITY

The O&M availability, measured in the inverters, for the Q1 ended March 31, 2022 was 98.9%, mainly affected by events in the inverters, already solved during January. The operational availability of the plant has been 98.5%, being an indicator that the plant is performing well, and no other events have affected the production. The operational availability has been below the value of 99.8% in the same period ended March 31, 2021.

GENERATION, WIND SPEED AND AVAILABILITY Q1 2022



The PR has been above the guaranteed values, an average of 85%. This value is higher than the 84.2% of the same period in 2021.

III. STATEMENT OF COMPREHENSIVE INCOME

	As of March 31, 2022	2021
Energy revenues	4,407	2,907
Costs of goods and services	(2,243)	(1,827)
Gross profit	2,165	1,081
Administrative expenses	(267)	(280)
Operating profit	1,898	801
Finance cost	(392)	(404)
Income before income tax	1,506	396
Income tax	(139)	(106)
Profit for the period	1,367	291

(Thousands of US\$)

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended March 31, 2022 were US\$4.407 million, an increase of US\$1.500 million, or 52%, compared to the Guarantors' combined energy revenues of US\$2.907 million for the period ended March 31, 2021.

This increase was primarily attributable to higher spot sales as a consequence of the rise in the spot price (US\$161.6/MWh for the period ended March 31, 2022, compared to US\$67.5/MWh for the period ended March 31, 2021) caused by an increase in the international fuel prices and a lack of hydroelectric generation. Also, an increase of 1.5% in the PPA energy price, compared against the same period in 2021, as consequence of an increment in the regulated tariff, used as indexation parameter in The Guarantor's PPA.

COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended March 31, 2022 were US\$2.243 million, an increase of US\$416 thousand, compared to the Guarantors' combined cost of goods and services of US\$1.827 million for the period ended March 31, 2021.

This increase is primarily attributable to:

- US\$395 thousand higher energy purchases from spot market and regional spot market to honor PPA, because of a low wind/hydro

energy reserve generation caused by La Niña Phenomenon effect. Spot prices has been higher as consequence of the rising prices in the international fuel commodities price.

- US\$44 thousand higher energy purchases from reserve contracts expenses.

These increases were partially offset by:

- A decrease of US\$23 thousand repairs and maintenance expenses.

ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended March 31, 2022 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 March 31, 2022 was US\$392 thousand, a decrease of US\$13 thousand, compared to the Guarantors' combined finance cost of US\$404 thousand for the period ended March 31, 2021.

INCOME TAX

The Guarantors' combined income tax for the period ended March 31, 2022 was US\$139 thousand, an increase of US\$33 thousand, compared to the Guarantors' combined finance cost of US\$106 thousand for the period ended March 31, 2021.

IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	As of March 31,		(Thousands of US\$)
	2022	2021	
Net cash provided by operating activities	1,786	396	
Net cash used in investing activities	(72)	-	
Net cash used in financing activities	(1,063)	(637)	
Net increase (decrease) in cash and cash equivalents	651	(241)	
Cash and cash equivalents at end of year	2,926	1,931	

LIQUIDITY

OPERATING ACTIVITIES

For each of the three months ended March 31, 2022 and 2021, the Guarantors' combined net cash provided by operating activities was US\$1.786 million and US\$396 thousand, respectively. The positive variance refers to US\$1.109 million higher income before taxes and US\$693 thousand lower accounts payables.

INVESTING ACTIVITIES

For each of the three months ended March 31, 2022 and 2021, the Guarantors' combined net cash used in investing activities was US\$72 thousand and US\$0 thousand, respectively. The variation refers to an addition of PP&E.

FINANCING ACTIVITIES

For each of the three months ended March 31, 2022 and 2021, the Guarantors' combined net cash flows used in financing activities was US\$1.063 million and US\$637 thousand, respectively. This increase of US\$426 thousand mainly refers to the first payment schedule of the UEP2 loan. The principal amount paid to UEP2 was US\$309 thousand and the interest paid was US\$727 thousand representing six months versus three months in 2021.

THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
MARCH 31, 2022

	As of March 31, 2022	As of December 31, 2021	(Thousands of US\$)
THE ISSUER'S BALANCE SHEET			
Current assets			
Cash and cash equivalents	6,442	5,486	
Trade and other receivables	20,865	8,441	
Current portion of related debt receivable	590	899	
Prepaid expenses	2,162	1,954	
Inventory	35	39	
Total current assets	30,093	16,818	
Non-current assets			
Long-term portion of related debt receivable	21,480	21,480	
Plant and equipment, net	212,766	216,209	
Intangible assets	120	110	
Deferred income tax	512	-	
Goodwill	20,000	20,000	
Total non-current assets	254,878	257,799	
Total assets	284,971	274,617	
Liabilities and Equity			
Current liabilities			
Current portion of bonds	6,657	14,300	
Trade and other payables	3,157	2,653	
Lease liabilities short term	119	158	
Income tax payables	2,441	-	
Total current liabilities	12,374	17,111	
Non-current liabilities			
Lease liabilities long term	8,232	8,232	
Deferred income tax	-	1,205	
Long-term of bonds	235,060	234,949	
Derivative financial instrument	4,127	7,625	
Total non-current liabilities	247,420	252,011	
Total liabilities	259,794	269,122	
Equity			
Common shares with US\$1.00 par value each; authorized and issued: 1,050 shares	1.05	1.05	
Capital contribution	55,974	55,974	
Accumulated deficit	(30,664)	(50,346)	
Prepaid dividend tax	(134)	(134)	
Total equity	25,177	5,495	
Total liabilities and equity	284,971	274,617	

THE ISSUER'S INCOME STATEMENT

	As of March 31, 2022	As of March 31, 2021	(Thousands of US\$)
Energy revenues	27,908	24,302	
Costs of goods and services	(5,278)	(5,500)	
Gross profit	22,630	18,802	
Administrative expenses	(1,071)	(954)	
Operating profit	21,560	17,847	
Finance cost, net	(1,175)	(1,353)	
Other income	21	11	
Profit before income tax	20,406	16,506	
Income tax	(724)	(2,195)	
Profit for the period	19,682	14,311	

THE ISSUER'S CASH FLOW

	As of March 31, 2022	As of March 31, 2021	(Thousands of US\$)
Cash flows from operating activities			
Profit before income tax	20,406	16,506	
Adjustments to reconcile (loss) profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	3,477	3,484	
Finance cost amortization	111	117	
Interest on borrowings and lease liabilities, net	4,761	4,972	
Earned Interest	(360)	(378)	
Fair Value loss on derivative financial instrument	(3,498)	(3,377)	
Net changes in assets and liabilities:			
Trade and other receivables	(12,792)	(13,794)	
Trade and other payables	(39)	(956)	
Prepaid expenses	(208)	(95)	
Inventory	4	(0)	
Interest paid	-	(947)	
Net cash provided by operating activities	11,863	5,531	
Cash flows from investing activities			
Additions of plant and equipment	(29)	-	
Additions of intangible assets	(15)	(15)	
Collection for loan intercompany	309	263	
Interest received	727	349	
Net cash provided by investing activities	993	597	
Cash flows from financing activities			
Issued bonds	(3,492)	(3,685)	
Interest paid	(8,369)	(5,044)	
Principal lease payments	(38)	(31)	
Net cash used in financing activities	(11,899)	(8,760)	
Net increase (decrease) in cash and cash equivalents	956	(2,633)	
Cash and cash equivalents at the beginning of year	5,486	14,872	
Cash and cash equivalents at the end of the period	6,442	12,239	

THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
MARCH 31, 2022

	As of March 31, 2022	As of December 31, 2021	(Thousands of US\$)
THE GUARANTOR'S COMBINED BALANCE SHEET			
Current assets			
Cash and cash equivalents	2,926	2,274	
Trade and other receivables	2,562	2,265	
Prepaid expenses and other assets	329	515	
Inventory	7	6	
Total current assets	5,824	5,060	
Non-current assets			
Plant and equipment, net	34,628	35,281	
Intangible assets	225	228	
Other receivables	38	38	
Total non-current assets	34,890	35,546	
Total assets	40,714	40,606	
Liabilities and Equity			
Current liabilities			
Lease liabilities short-term	18	24	
Current portion of related loan	590	1,267	
Income tax payable	139	240	
Trade and other payables	1,026	1,501	
Total current liabilities	1,772	3,031	
Non-current liability			
Lease liabilities long term	1,194	1,194	
Long-term of related loan	21,480	21,480	
Total non-current liability	22,675	22,675	
Total liabilities	24,447	25,706	
Equity			
Parent company investment	40	40	
Capital Contribution	15,272	15,272	
Retained earnings (accumulated deficit)	1,043	(324)	
Prepaid dividend tax	(89)	(89)	
Total equity	16,267	14,900	
Total liabilities and equity	40,714	40,606	

**THE GUARANTOR'S COMBINED
INCOME STATEMENT**

	As of March 31, 2022	As of March 31, 2021	(Thousands of US\$)
Energy revenue	4,407	2,907	
Costs of goods and services	(2,243)	(1,827)	
Gross profit	2,165	1,081	
Administrative expenses	(267)	(280)	
Operating profit	1,898	801	
Finance costs	(392)	(404)	
Income before income tax	1,506	396	
Income tax	(139)	(106)	
Profit for the period	1,367	291	

**THE GUARANTOR'S COMBINED
CASH FLOW**

	As of March 31, 2022	As of March 31, 2021	(Thousands of US\$)
Cash flows from operating activities			
Income before income tax	1,506	396	
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation and amortization	728	726	
Interest on borrowings and lease liabilities, net	380	401	
Changes in assets and liabilities:	-	-	
Trade and other receivables	(297)	(990)	
Trade and other payables	(475)	(184)	
Prepaid expenses and other assets	186	320	
Inventory	(1)	(3)	
Income tax paid	(240)	(271)	
Net cash provided by operating activities	1,786	396	
Cash flows from investing activities			
Additions of plant and equipment	(72)	-	
Net cash used in investing activities	(72)	-	
Cash flows from financing activities			
Related loan	(309)	(263)	
Interest paid	(727)	(349)	
Principal lease payments	(26)	(25)	
Net cash used in financing activities	(1,063)	(637)	
Net increase (decrease) in cash and cash equivalents	651	(241)	
Cash and cash equivalents at the beginning of the year	2,274	2,172	
Cash and cash equivalents at end of the period	2,926	1,931	
Non-cash financing activities			
Right of use assets	-	(16)	
Lease liabilities	-	16	



UEP Penonomé II, S.A.
and Tecnisol Group

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