



UEP Penonomé II, S.A.
and Tecnisol Group

Q1-2023

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED
MARCH 31, 2023, COMPARED
TO THE PERIOD ENDED
MARCH 31, 2022



The present report is presented in compliance with the indenture dated December 9, 2020 entered into UEP PENONOMÉ 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.

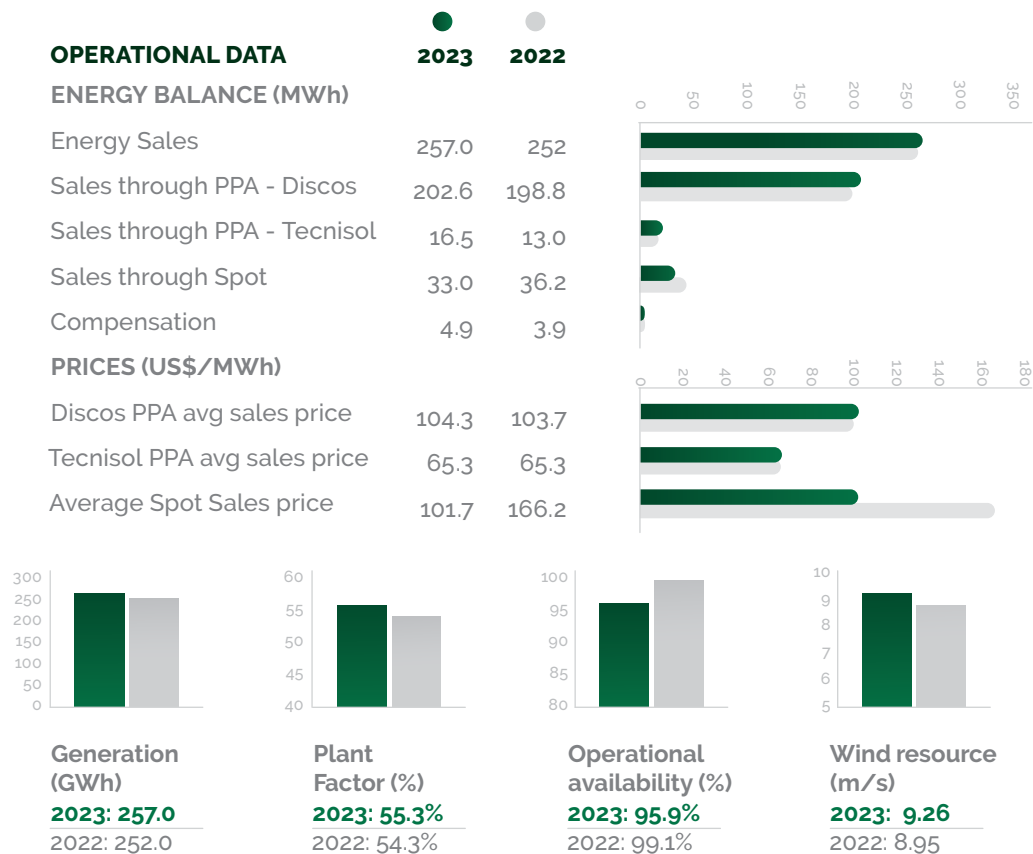
Under Section 5.04, the Issuer and the Guarantors shall provide within 60 days of the end of the first three Fiscal Quarters of each Fiscal Year of the Issuer unaudited consolidated quarterly financial statements of the Issuer and the Guarantors (including a balance sheet, statement of comprehensive 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 March are high wind season months. During the Q1 ended March 31, 2023 our UEP II Wind Project production was 257.0 GWh, 2.0% above the 252.0 GWh generated during the same period of the previous period ended March 31, 2022.

ANALYSIS OF THE WIND RESOURCE

As of March 2023, the average wind speed was 9.3 m/s, 3.5% higher than the previous period. One explanation for this is the end of the La Niña Phenomenon that caused a windless season in previous months. This Q1 months remain ENSO-neutral during the Northern Hemisphere spring, followed by a 62% chance of El Niño developing during May-July 2023.

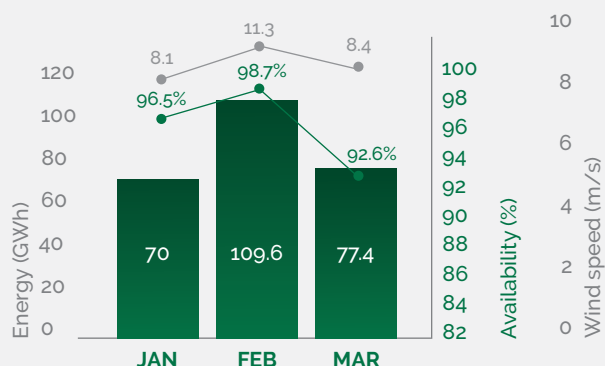


OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended March 31, 2023 was 95.9%, below the 99.1% availability of the same period of 2022.

This value is not updated with Goldwind's availability since the reports for Q1 are under review, the final availability can be modified once the information is received.

GENERATION, WIND SPEED AND AVAILABILITY Q1 2023



III. STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
Energy revenues	26,064	27,908
Costs of goods and services	(5,548)	(5,278)
Gross profit	20,516	22,630
Administrative expenses	(954)	(1,071)
Operating profit	19,562	21,560
Finance Cost, net	(3,951)	(1,175)
Other income	7	21
Profit before income tax	15,618	20,406
Income tax	(3,337)	(724)
Net income	12,280	19,682

(Thousands of US\$)

REVENUES

The Issuer's energy revenues for the period ended March 31, 2023, were US\$26.064 million, a decrease of US\$1.844 million, or 7%, compared to the Issuer's energy revenues of US\$27.908 million for the same period in 2022.

This variation was primarily attributable to a decrease in energy generated to spot market (3.3 GWh) and the average spot sales price which was 39% lower (US\$101.7/MWh vs US\$166.2/MWh) due to the variations in the international fuel prices. This decrease was partially offset by a positive impact of PPA sales due to higher generation (7.3 GWh) compared to the same period in 2022.



COSTS OF GOODS AND SERVICES

The Issuer's costs of goods and services for the period ended March 31, 2023, were US\$ 5.548 million, an increase of US\$271 thousand, or 5%, as compared to the Issuer's costs of goods and services of US\$5.278 million for the period ended March 31, 2022. This increase was primarily attributable to:

- US\$318 thousand higher repairs and maintenance costs due to blade repairs.
- US\$18 thousand higher energy own consumption.

Partially offset by:

- US\$39 thousand lower transmission costs.

ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the period ended March 31, 2023, were US\$ 954 thousand, a decrease of US\$117 thousand, or 11%, as compared to the Issuer's administrative expenses of US\$1.071 million for the period ended March 31, 2022. This decrease was primarily attributable to:

- US\$122 thousand lower wake effect compensation expenses due to the decrease in the spot prices.
- US\$48 thousand lower other costs.

Partially offset by:

- US\$40 thousand higher substation shared costs.
- US\$11 thousand higher professional services.



FINANCE COST, NET

The Issuer's total finance costs for the period ended March 31, 2023, were US\$3.951 million, an increase of US\$2.776 million, compared to the Issuer's total finance cost of US\$1.175 million for the period ended March 31, 2022. This increase was primarily attributable to the SWAP valuation in which it was fully cancelled for the current period compared to the gain of the previous period (US\$3.498 million).

INCOME TAX

The Issuer's income tax for the period ended March 31, 2023, was US\$3.337 million, compared to the Issuer's income tax of US\$724 thousand for the period ended March 31, 2022. This increase is attributable to a higher deferred tax of US\$2.967 million partially offset by US\$353 thousand lower current income tax.

IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	2023	2022
Net cash provided by operating activities	8,993	11,863
Net cash used in provided by investing activities	883	993
Net cash used in financing activities	(12,211)	(11,899)
Net (decrease) increase in cash and cash equivalents	(2,336)	956
Cash and cash equivalents at the end of year	3,155	6,442

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the three months ended March 31, 2023 and 2022, the Issuer's net cash provided by operating activities was US\$8.993 million and US\$11.863 million. The main driver for this increase is mainly explained by US\$4.788 million decrease in profit before income tax, US\$4.491 million higher inventory related to blades, US\$963 thousand higher account receivables; partially offset by US\$3.498 million lower fair value gain of the derivative financial instrument (interest SWAP), US\$4.046 million lower prepaid expenses and US\$518 thousand lower account payables.

INVESTING ACTIVITIES

For each of the three months ended March 31, 2023 and 2022, the Issuer's net cash provided by investing activities was US\$883 thousand and US\$993 thousand, respectively. The main variation corresponds to PP&E additions for US\$137 thousand partially offset by US\$27 thousand higher collection from Guarantor loan.

FINANCING ACTIVITIES

For each of the three months ended March 31, 2023 and 2022, the Issuer's net cash used in financing activities was US\$12.211 million and US\$11.899 million, respectively. The main variation corresponds to the Senior Bonds.



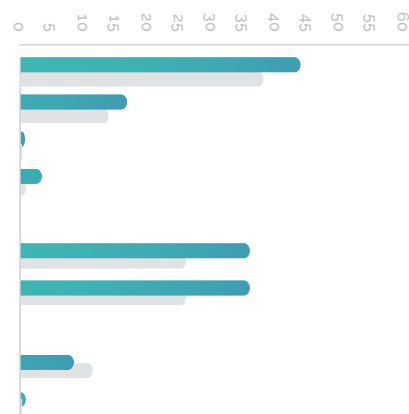
TECNISOL GROUP: THE GUARANTORS

I. OPERATIONAL HIGHLIGHTS

OPERATIONAL DATA

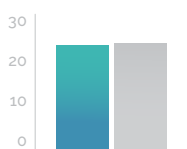
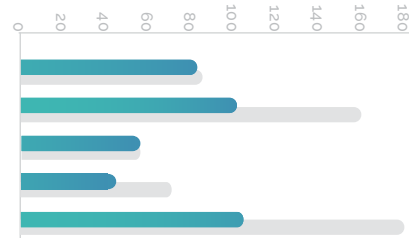
ENERGY BALANCE

	2023	2022
Energy sales	44.3	38.9
Energy Purchase - UEPII	16.5	13.0
Energy Purchase - Hydro	0.3	0.1
Energy Purchase - Spot	3.1	0.8
Exports from MER	-	-
Sales through PPA	35.5	26.0
Large clientes	35.5	26.0
MERELEC	-	-
Sales through Spot	8.0	11.9
Compensation	0.8	1.0



PRICES (US\$/MWH)

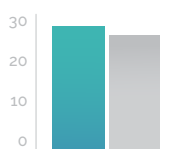
PPA avg sales price	84.8	87.8
Avg Spot Sales price	101.7	161.6
Avg Purchase price - UEPII	65.3	65.3
Avg Purchase price - Hydro	45.0	70.6
Avg Purchase price - Spot	107.8	180.2



Generation (GWh)

2023: 24.3

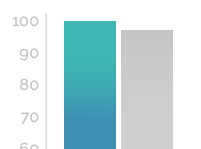
2022: 24.5



Plant Factor (%)

2023: 28.2%

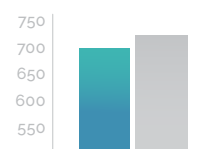
2022: 28.4%



Operational availability (%)

2023: 99.9%

2022: 98.5%



Solar resource (kWh/m2)

2023: 704

2022: 722

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, 2023, the Tecnisol Solar Project's energy generation was 24.3 GWh. The generation was

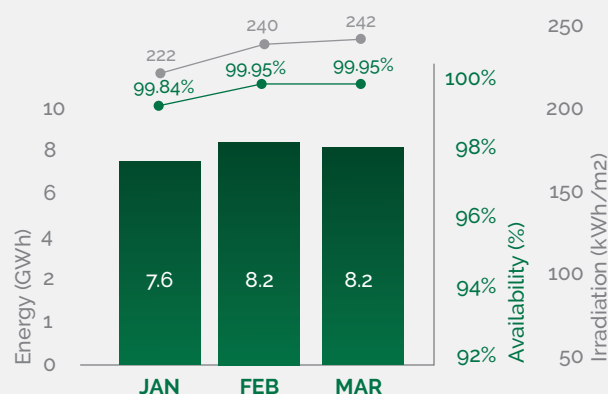
0.9% below the production in the trimester ended March 31, 2022, of 24.5 GWh.

The solar irradiation during this period was 704 kWh/m2, or 2.5% below the irradiation for the same period ended March 31, 2022.

OPERATIONS AND AVAILABILITY

The O&M availability, measured in the inverters, for the Q1 ended March 31, 2023, was 99.9%. The operational availability of the plant, including grid and other sources of unavailability, has been 99.9%, 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 98.5% in the same period ended March 31, 2022.

GENERATION, WIND SPEED AND AVAILABILITY Q1 2023



The Performance Ratio has been above the guaranteed values, an average of 83.5%. This value is lower than the 84.9% of the same period in 2022.

III. STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
Energy revenues	3,942	4,407
Costs of goods and services	(2,449)	(2,243)
Gross profit	1,493	2,165
Administrative expenses	(282)	(267)
Operating profit	1,211	1,898
Finance cost	(374)	(392)
Profit before income tax	837	1,506
Income tax	(178)	(139)
Profit for the period	659	1,367

(Thousands of US\$)

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended March 31, 2023 were US\$3,942 million, a decrease of US\$465 thousand, or 11%, compared to the Guarantors' combined energy revenues of US\$4,407 million for the period ended March 31, 2022.

This decrease was primarily attributable to lower spot sales because of the variations in the spot price (US\$101.7/MWh for the period ended March 31, 2022, compared to US\$161.6/MWh for the period ended March 31, 2021) caused by the fluctuations in the international fuel prices and a lack of hydroelectric generation.

COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended March 31, 2023 were US\$2,449 million, an increase of US\$206 thousand, compared to the Guarantors' combined cost of goods and services of US\$2,243 million for the period ended March 31, 2022.

This increase is primarily attributable to:

- US\$240 thousand higher energy purchase from reserve contracts.

Partially offset by:

- US\$49 thousand lower energy purchases from spot market and spot regional market.



ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended March 31, 2023 were US\$282 thousand, an increase of US\$15 thousand, compared to the Guarantors' combined administrative expenses of US\$267 thousand for the period ended March 31, 2022.

This increase is primarily attributable to:

- US\$15 thousand higher professional fees expenses.
- US\$2 thousand higher other expenses.

Partially offset by:

- US\$3 thousand lower office maintenance.

FINANCE COST

The Guarantors' combined finance cost for the period ended March 31, 2023 was US\$374 thousand, a decrease of US\$18 thousand, compared to the Guarantors' combined finance cost of US\$392 thousand for the period ended March 31, 2022.

INCOME TAX

The Guarantors' combined income tax for the period ended March 31, 2023 was US\$178 thousand, an increase of US\$40 thousand, compared to the Guarantors' combined income tax of US\$139 thousand for the period ended March 31, 2022.

IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

	2023	2022
Net cash provided by operating activities	1,706	1,786
Net cash used in investing activities	-	(72)
Net cash used in financing activities	(1,093)	(1,063)
Net decrease in cash and cash equivalents	613	651
Cash and cash equivalents at end of the period	1,887	2,926

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the three months ended March 31, 2023 and 2022, the Guarantors' combined net cash provided by operating activities was US\$1.706 million and US\$1.786 million, respectively. The negative variance refers to US\$699 lower profit before income tax, US\$270 thousand higher accounts receivables, US\$218 thousand higher prepaid expenses, US\$98 thousand higher income tax paid; partially offset by US\$1.176 million lower account payables.

INVESTING ACTIVITIES

For each of the three months ended March 31, 2023 and 2022, the Guarantors' combined net cash used in investing activities was US\$0 thousand and US\$72 thousand, respectively. The variation refers to an addition of PP&E in 2022.

FINANCING ACTIVITIES

For each of the three months ended March 31, 2023 and 2022, the Guarantors' combined net cash flows used in financing activities was US\$1.093 million and US\$1.063 million, respectively. The variation refers to the payment of the intercompany loan.



THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
MARCH 31, 2023

	As of March 31, 2023	As of December 31, 2022	(Thousands of US\$)
THE ISSUER'S BALANCE SHEET			
Current assets			
Cash and cash equivalents	3,155	5,490	
Trade and other receivables	20,391	6,989	
Current portion of related debt receivable	1,065	997	
Prepaid expenses	1,167	5,006	
Inventory	38	41	
Blades project inventory	4,489	-	
Total current assets	30,305	18,523	
Non-current assets			
Long-term portion of related debt receivable	20,049	20,483	
Plant and equipment, net	199,532	202,849	
Intangible assets, net	117	105	
Goodwill	20,000	20,000	
Total non-current assets	239,698	243,437	
Total assets	270,003	261,960	
Liabilities and Equity			
Current liabilities			
Current portion of bonds payable	12,027	15,240	
Trade and other payables	1,758	1,286	
Lease liabilities	145	192	
Income tax payables	2,088	-	
Total current liabilities	16,018	16,718	
Non-current liabilities			
Lease liabilities	8,040	8,040	
Deferred income tax	1,855	605	
Provisions	354	348	
Long-term portion of bonds payable	219,388	224,182	
Total non-current liabilities	229,638	233,175	
Total liabilities	245,656	249,893	
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	(31,494)	(43,775)	
Prepaid dividend tax	(134)	(134)	
Total equity	24,347	12,067	
Total liabilities and equity	270,003	261,960	

THE ISSUER'S INCOME STATEMENT

	As of March 31, 2023	As of March 31, 2022	(Thousands of US\$)
Energy revenues	26,064	27,908	
Costs of goods and services	(5,548)	(5,278)	
Gross profit	20,516	22,630	
Administrative expenses	(954)	(1,071)	
Operating profit	19,562	21,560	
Finance Cost, net	(3,951)	(1,175)	
Other income	7	21	
Profit before income tax	15,618	20,406	
Income tax	(3,337)	(724)	
Net income	12,280	19,682	

THE ISSUER'S CASH FLOW

	As of March 31, 2023	As of March 31, 2022	(Thousands of US\$)
Cash flows from operating activities			
Profit before income tax	15,618	20,406	
Adjustments to reconcile profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	3,486	3,477	
Finance cost amortization	107	111	
Interest on borrowings and lease liabilities, net	4,052	4,761	
Interest income	(345)	(360)	
Fair value (gain) on derivative financial instrument	-	(3,498)	
Net changes in assets and liabilities:			
Trade and other receivables	(13,754)	(12,792)	
Trade and other payables	479	(39)	
Prepaid expenses	3,839	(208)	
Inventory	2	4	
Blades project inventory	(4,489)	-	
Net cash provided by operating activities	8,993	11,863	
Cash flows from investing activities			
Additions of plant and equipment	(164)	(29)	
Additions of intangible assets	(17)	(15)	
Loan receivable Intercompany collection	366	309	
Interest received - Intercompany	698	727	
Net cash provided by investing activities	883	993	
Cash flows from financing activities			
Payment of issued bonds	(4,129)	(3,492)	
Interest paid	(8,036)	(8,369)	
Principal lease payments	(47)	(38)	
Net cash used in financing activities	(12,211)	(11,899)	
Net (decrease) increase in cash and cash equivalents	(2,336)	956	
Cash and cash equivalents at the beginning of year	5,490	5,486	
Cash and cash equivalents at the end of the period	3,155	6,442	

THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
MARCH 31, 2023

	As of March 31, 2023	As of December 31, 2022	(Thousands of US\$)
THE GUARANTOR'S COMBINED BALANCE SHEET			
Current assets			
Cash and cash equivalents	1,887	1,274	
Trade and other receivables	2,421	1,862	
Prepaid expenses and other assets	242	210	
Inventory	14	14	
Total current assets	4,564	3,359	
Non-current assets			
Plant and equipment, net	32,329	33,058	
Intangible assets, net	214	217	
Other receivable	40	38	
Deferred income tax	50	46	
Total non-current assets	32,634	33,359	
Total assets	37,199	36,718	
Liabilities and Equity			
Current liabilities			
Lease liabilities	22	29	
Related party loan	1,065	1,350	
Income tax payable	182	337	
Trade and other payables	2,166	1,469	
Total current liabilities	3,436	3,186	
Non-current liabilities			
Lease liabilities	1,165	1,165	
Provisions	313	307	
Related party loan	20,049	20,483	
Total non-current liabilities	21,527	21,955	
Total liabilities	24,963	25,141	
Equity			
Parent company investment	40	40	
Capital Contribution	12,212	12,212	
Retained earnings (accumulated deficit)	101	(558)	
Prepaid dividend tax	(118)	(118)	
Total equity	12,236	11,577	
Total liabilities and equity	37,199	36,718	

**THE GUARANTOR'S COMBINED
INCOME STATEMENT**

	As of March 31, 2023	As of March 31, 2022	(Thousands of US\$)
Energy revenue	3,942	4,407	
Costs of goods and services	(2,449)	(2,243)	
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Finance costs	(374)	(392)	
Profit before income tax	837	1,506	
Income tax	(178)	(139)	
Net income	659	1,367	

**THE GUARANTOR'S COMBINED
CASH FLOW**

	As of March 31, 2023	As of March 31, 2022	(Thousands of US\$)
Cash flows from operating activities			
Income before income tax	837	1,506	
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation and amortization	731	728	
Interest on borrowings and lease liabilities, net	368	380	
Changes in assets and liabilities:			
Trade and other receivables	(567)	(297)	
Trade and other payables	701	(475)	
Prepaid expenses and other assets	(32)	186	
Inventory	-	(1)	
Provisions and other liabilities	6	-	
Income tax paid	(337)	(240)	
Net cash provided by operating activities	1,706	1,786	
Cash flows from investing activities			
Additions of plant and equipment	-	(72)	
Net cash used in investing activities	-	(72)	
Cash flows from financing activities			
Payment of loan payable - Intercompany	(366)	(309)	
Interest paid - Intercompany	(698)	(727)	
Principal lease payments	(30)	(26)	
Net cash used in financing activities	(1,093)	(1,063)	
Net increase in cash and cash equivalents	613	651	
Cash and cash equivalents at the beginning of the year	1,274	2,274	
Cash and cash equivalents at end of the period	1,887	2,926	



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and TecniSol Group

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