



UEP Penonomé II, S.A.  
and Tecnisol Group

# Q2-2022

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## MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED  
JUNE 30, 2022,  
COMPARED TO THE PERIOD  
ENDED JUNE 30, 2021



The present report is presented in compliance with the indenture dated June 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.

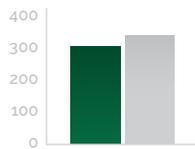
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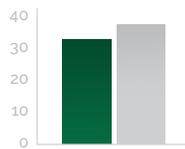
# UEPII: THE ISSUER

## I. OPERATIONAL HIGHLIGHTS

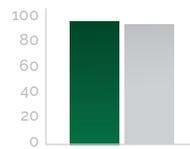
OPERATIONAL DATA	2022	2021
<b>ENERGY BALANCE (MWh)</b>		
Energy Sales	299.6	339.2
Sales through PPA - Discos	235.6	264.8
Sales through PPA - Tecnisol	17.0	18.7
Sales through Spot	41.7	46.6
Compensation	5.3	9.2
<b>PRICES (US\$/MWh)</b>		
Discos PPA avg sales price	103.7	103.0
Tecnisol PPA avg sales price	65.3	65.3
Average Spot Sales price	160.4	69.8



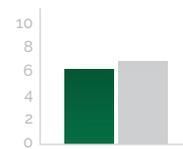
**Generation (GWh)**  
2022: 299.6  
2021: 339.2



**Plant Factor (%)**  
2022: 32.1%  
2021: 36.3%



**Operational availability (%)**  
2022: 98.7%  
2021: 98.0%



**Wind resource (m/s)**  
2022: 6.25  
2021: 6.99

## 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 and May and June low wind season. During the semester ended June 30, 2022 our UEP II Wind Project production was 299.6 GWh, 11.7% below the 339.2 GWh generated during the same period of the previous semester ended June 30, 2021.

### ANALYSIS OF THE WIND RESOURCE

The average wind resource for the first

semester of 2022 has been 6.25 m/s, being 10.5% below than the previous semester ended June 30, 2021.

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. There is no similar episode since 2011. It is expected a transition to a neutral season the following trimesters.

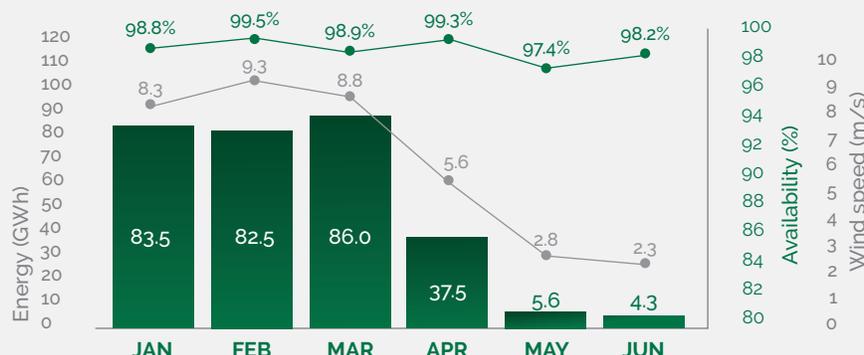


### ANALYSIS OF THE WIND RESOURCE

The Operational Availability for the period ended June 30, 2022 was 98.7%, a 0.6% above 98.0% availability of the same period of 2021.

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

### GENERATION, WIND SPEED AND AVAILABILITY Q2 2022



## III. STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
Energy revenues	32,850	32,673
Costs of goods and services	(10,484)	(10,631)
Gross profit	22,366	22,042
Administrative expenses	(1,788)	(1,816)
Operating profit	20,578	20,225
Finance Cost, net	(1,569)	(6,309)
Other income	125	11
Profit before income tax	19,134	13,928
Income tax	(135)	(759)
Profit for the period	19,000	13,169

(Thousands of US\$)

### REVENUES

The Issuer's energy revenues for the period ended June 30, 2022, were US\$32.850 million, an increase of US\$177 thousand, or 1%, compared to the Issuer's energy revenues of US\$32.673 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\$160.38/MWh vs US\$69.78/MWh) caused by an increase in the 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 June 30, 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 June 30, 2022, were US\$ 1.788 million, a decrease of US\$28 thousand, or 2%, as compared to the Issuer's administrative expenses of US\$1.816 million for the period ended June 30, 2021. This decrease was primarily attributable to:

- US\$54 thousand lower regulator fees.

Partially offset by:

- US\$39 thousand higher insurance costs.

### FINANCE COST, NET

The Issuer's total finance costs for the period ended June 30, 2022, were US\$1.569 million, a decrease of US\$4.740 million, or 75%, compared to the Issuer's total finance cost of US\$6.309 million for the period ended June 30, 2021. This decrease was primarily attributable to the SWAP valuation in which it was gain for the current period (US\$7.338 million) compared to the previous period (US\$3.068 million).

### INCOME TAX

The Issuer's income tax for the period ended June 30, 2022, was US\$135 thousand, compared to the Issuer's income tax of US\$759 thousand for the period ended June 30, 2021. This decrease is attributable to a lower deferred tax of US\$1.438 million partially offset by US\$814 thousand higher current income tax.



## IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	As of June 30,	
	2022	2021
Net cash provided by operating activities	28,190	23,665
Net cash provided by investing activities	1,012	744
Net cash used in financing activities	(12,381)	(10,165)
<b>Net increase in cash and cash equivalents</b>	<b>16,821</b>	<b>14,244</b>
<b>Cash and cash equivalents at the end of year</b>	<b>22,306</b>	<b>29,116</b>

(Thousands of US\$)

## LIQUIDITY

### OPERATING ACTIVITIES

For each of the six months ended June 30, 2022 and 2021, the Issuer's net cash provided by operating activities was US\$28.190 million and US\$23.665 million. The main driver for this increase is mainly explained by US\$5.206 million increase in profit before income tax, US\$5.005 million higher account receivables; partially offset by US\$4.270 million higher fair value gain of the derivative financial instrument (interest SWAP), US\$99 thousand higher account payables and US\$1.555 million higher prepaid expenses.

### INVESTING ACTIVITIES

For each of the six months ended June 30, 2022 and 2021, the Issuer's net cash provided by investment activities was US\$1.012 million and US\$744 thousand, respectively. The main variation corresponds to collection from Guarantor loan, in which the interest paid of the period in 2022 was US\$727 thousand representing six months versus US\$433 thousand equals to three months in 2021.

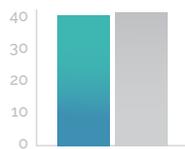
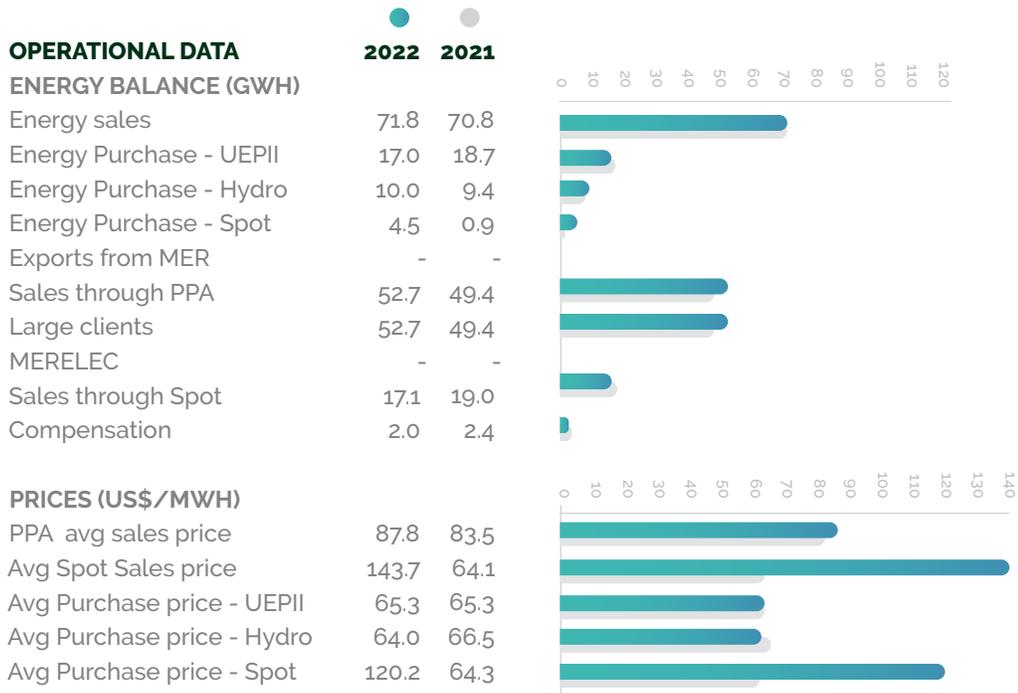
### FINANCING ACTIVITIES

For each of the six months ended June 30, 2022 and 2021, the Issuer's net cash used in financing activities was US\$12.381 million and US\$10.165 million, respectively. The main variation corresponds to Senior Bonds, in which the interest paid of the period in 2022 was US\$8.525 million representing six months versus US\$6.303 million equals to three months in 2021.



# TECNISOL GROUP: THE GUARANTORS

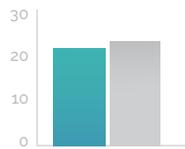
## I. OPERATIONAL HIGHLIGHTS



**Generation (GWh)**

**2022: 40.6**

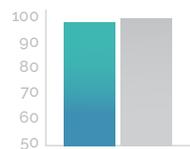
2021: 41.9



**Plant Factor (%)**

**2022: 23.4%**

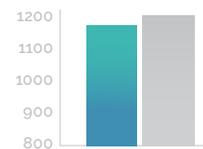
2021: 24.2%



**Operational availability (%)**

**2022: 98.7%**

2021: 99.6%



**Solar resource (kWh/m2)**

**2022: 1,170**

2021: 1,200

## 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 semester ended June 30, 2022 the Tecnisol Solar Project's energy generation was 40.6 GWh. The generation has been a 3.3% below the production of 41.9

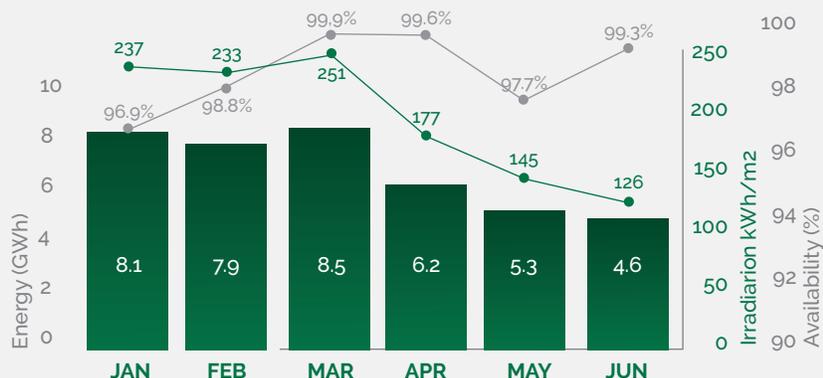
GWh during the same period of the previous semester ended June 30, 2021.

The solar irradiation during this period has been of 1,170 kWh/m2, being a 2.5% below the irradiation for the same period ended June 30, 2021.

### OPERATIONS AND AVAILABILITY

The inverter's availability for the semester ended June 30, 2022 was 99.3%. The operational availability of the plant has been 98.7%, being an indicator that the plant is performing well, and no relevant events have affected the production.

### GENERATION, IRRADIATION AND AVAILABILITY Q2 2022



The operational availability has been below the value of 99.6% in the same period ended June 30, 2021 mainly because of grid unavailability in May.

The PR has been above the guaranteed values, an average of 84.1%.

## III. STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
Energy revenue	7,434	5,630
Costs of goods and services	(4,669)	(3,947)
Gross profit	2,765	1,682
Administrative expenses	(438)	(395)
Operating profit	2,326	1,287
Finance costs	(772)	(798)
Other income	12	-
Income before income tax	1,565	489
Income tax	(439)	(142)
Profit for the period	1,126	347

(Thousands of US\$)

### ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended June 30, 2022 were US\$7.434 million, an increase of US\$1.804 million, or 32%, compared to the Guarantors' combined energy revenues of US\$5.630 million for the period ended June 30, 2021. This increase was primarily attributable to higher spot sales as a consequence of the rise in the spot price (US\$143.7/MWh for the period ended June 30, 2022, compared to US\$64.1/MWh for the period ended June 30, 2021) caused by an increase in the international fuel prices and a lack of hydroelectric generation. Also, an increase of 5.1% in the PPA energy price, compared against the same period in 2021, as consequence of a rise 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 June 30, 2022 were US\$4.669 million, an increase of US\$722 thousand, compared to the Guarantors' combined cost of goods and services of US\$3.947 million for the period ended June 30, 2021. This increase is primarily attributable to:

- US\$807 thousand higher energy purchases from spot market and spot regional market expenses (caused mainly by an increase in the spot price).

Partially offset by:

- US\$66 thousand lower energy purchases from reserve contracts expenses.
- A decrease of US\$24 thousand repairs and maintenance expenses.

## ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended June 30, 2022 were US\$438 thousand, an increase of US\$43 thousand, compared to the Guarantors' combined administrative expenses of US\$395 thousand for the period ended June 30, 2021. This increase is primarily attributable to:

- US\$26 thousand higher other expenses related to installation of a Commercial Metering System for a large client and other minor expenses.
- US\$22 thousand higher professional fees expenses related to energy consultants for the large clients.
- US\$7 thousand higher office maintenance.

Partially offset by:  
US\$13 thousand lower regulator fees.

### FINANCE COST

The Guarantors' combined finance cost for the period ended June 30, 2022 was US\$772 thousand, a decrease of US\$26 thousand, compared to the Guarantors' combined finance cost of US\$798 thousand for the period ended June 30, 2021.

### INCOME TAX

The Guarantors' combined income tax for the period ended June 30, 2022 was US\$439 thousand, an increase of US\$297 thousand, compared to the Guarantors' combined income tax of US\$142 thousand for the period ended June 30, 2021.

## IV. CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	As of June 30,	
	2022	2021
Net cash provided by operating activities	4,039	2,475
Net cash used in investing activities	(247)	-
Net cash used in financing activities	(1,120)	(842)
<b>Net increase in cash and cash equivalents</b>	<b>2,672</b>	<b>1,632</b>
<b>Cash and cash equivalents at end of the period</b>	<b>4,946</b>	<b>3,804</b>

(Thousands of US\$)

## LIQUIDITY

### OPERATING ACTIVITIES

For each of the six months ended June 30, 2022 and 2021, the Guarantors' combined net cash provided by operating activities was US\$4.039 million and US\$2.475 million, respectively. The positive variance refers to US\$1.076 million higher income before taxes, US\$1.093 million higher account receivables, US\$31 thousand higher income tax paid, partially offset by US\$317 thousand lower accounts payables and US\$290 thousand lower prepaid expenses.

### INVESTING ACTIVITIES

For each of the six months ended June 30, 2022 and 2021, the Guarantors' combined net cash used in investing activities was US\$247 thousand and US\$0 thousand, respectively. The variation refers to an addition of PP&E.

### FINANCING ACTIVITIES

For each of the six months ended June 30, 2022 and 2021, the Guarantors' combined net cash flows used in financing activities was US\$1.120 million and US\$842 thousand, respectively. This increase of US\$278 thousand mainly refers to the interest paid under the loan with the Issuer, in which for 2022 refers to six months period (US\$727 thousand) versus three-month period in 2021 (US\$433 thousand).

# THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED  
JUNE 30, 2022

	As of June 30, 2022	As of December 31, 2021	(Thousands of US\$)
<b>THE ISSUER'S BALANCE SHEET</b>			
<b>Current assets</b>			
Cash and cash equivalents	22,306	5,486	
Trade and other receivables	3,084	8,441	
Current portion of related debt receivable	955	899	
Prepaid expenses	3,573	1,954	
Inventory	35	39	
<b>Total current assets</b>	<b>29,954</b>	<b>16,818</b>	
<b>Non-current assets</b>			
Long-term portion of related debt receivable	21,114	21,480	
Plant and equipment, net	209,272	216,209	
Intangible assets	115	110	
Deferred income tax	187	-	
Goodwill	20,000	20,000	
<b>Total non-current assets</b>	<b>250,689</b>	<b>257,799</b>	
<b>Total assets</b>	<b>280,643</b>	<b>274,617</b>	
<b>Liabilities and Equity</b>			
Current portion of bonds	14,813	14,300	
Trade and other payables	431	2,653	
Lease liabilities short term	80	158	
Income tax payables	1,526	-	
<b>Total current liabilities</b>	<b>16,851</b>	<b>17,111</b>	
<b>Non-current liabilities</b>			
Lease liabilities long term	8,232	8,232	
Deferred income tax	-	1,205	
Long-term of bonds	231,065	234,949	
Derivative financial instrument	-	7,625	
<b>Total non-current liabilities</b>	<b>239,297</b>	<b>252,011</b>	
<b>Total liabilities</b>	<b>256,148</b>	<b>269,122</b>	
<b>Equity</b>			
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	(31,346)	(50,346)	
Prepaid dividend tax	(134)	(134)	
<b>Total equity</b>	<b>24,495</b>	<b>5,495</b>	
<b>Total liabilities and equity</b>	<b>280,643</b>	<b>274,617</b>	

## THE ISSUER'S INCOME STATEMENT

	As of June 30, <b>2022</b>	As of June 30, <b>2021</b>	(Thousands of US\$)
Energy revenues	32,850	32,673	
Costs of goods and services	(10,484)	(10,631)	
Gross profit	22,366	22,042	
Administrative expenses	(1,788)	(1,816)	
Operating profit	20,578	20,225	
Finance Cost, net	(1,569)	(6,309)	
Other income	125	11	
Profit before income tax	19,134	13,928	
Income tax	(135)	(759)	
Profit for the period	19,000	13,169	



# THE ISSUER'S CASH FLOW

	As of June 30, 2022	As of June 30, 2021	(Thousands of US\$)
<b>Cash flows from operating activities</b>			
Profit before income tax	19,134	13,928	
Adjustments to reconcile (loss) profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	6,956	6,928	
Finance cost amortization	245	207	
Interest on borrowings and lease liabilities, net	9,062	9,854	
Earned Interest	(716)	(749)	
Fair value (gain) on derivative financial instrument	(7,338)	(3,068)	
Net changes in assets and liabilities:			
Trade and other receivables	5,345	340	
Trade and other payables	(2,883)	(2,784)	
Prepaid expenses	(1,618)	(63)	
Inventory	3	(18)	
Interest tax paid	-	(947)	
Net cash provided by operating activities	28,190	23,665	
<b>Cash flows from investing activities</b>			
Additions of plant and equipment	(10)	-	
Additions of intangible assets	(15)	(15)	
Collection for loan intercompany	309	326	
Interest received	727	433	
Net cash used in provided by investing activities	1,012	744	
<b>Cash flows from financing activities</b>			
Issued bonds	(3,492)	(3,685)	
Interest paid	(8,525)	(6,303)	
Deferred financing cost	(287)	-	
Principal lease payments	(77)	(62)	
Prepaid dividend tax	-	(115)	
Net cash used in financing activities	(12,381)	(10,165)	
Net increase in cash and cash equivalents	16,821	14,244	
Cash and cash equivalents at the beginning of year	5,486	14,872	
Cash and cash equivalents at the end of the period	22,306	29,116	

# THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED JUNE 30, 2022

	As of June 30, 2022	As of December 31, 2021	(Thousands of US\$)
<b>THE GUARANTOR'S COMBINED BALANCE SHEET</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,946	2,274	
Trade and other receivables	1,621	2,265	
Prepaid expenses and other assets	357	515	
Inventory	7	6	
<b>Total current assets</b>	<b>6,931</b>	<b>5,060</b>	
<b>Non-current assets</b>			
Plant and equipment, net	34,077	35,281	
Intangible assets	222	228	
Other receivables	39	38	
<b>Total non-current assets</b>	<b>34,338</b>	<b>35,546</b>	
<b>Total assets</b>	<b>41,269</b>	<b>40,606</b>	
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Lease liabilities short-term	12	24	
Current portion of related loan	1,312	1,267	
Income tax payable	439	240	
Trade and other payables	1,200	1,501	
<b>Total current liabilities</b>	<b>2,963</b>	<b>3,031</b>	
<b>Non-current liability</b>			
Lease liabilities long term	1,194	1,194	
Long-term of related loan	21,114	21,480	
<b>Total non-current liability</b>	<b>22,309</b>	<b>22,675</b>	
<b>Total liabilities</b>	<b>25,272</b>	<b>25,706</b>	
<b>Equity</b>			
Parent company investment	40	40	
Capital Contribution	15,272	15,272	
Retained earnings (accumulated deficit)	803	(324)	
Prepaid dividend tax	(118)	(89)	
<b>Total equity</b>	<b>15,997</b>	<b>14,900</b>	
<b>Total liabilities and equity</b>	<b>41,269</b>	<b>40,606</b>	

**THE GUARANTOR'S COMBINED  
INCOME STATEMENT**

	As of June 30, <b>2022</b>	As of June 30, <b>2021</b>	(Thousands of US\$)
Energy revenue	7,434	5,630	
Costs of goods and services	(4,669)	(3,947)	
Gross profit	2,765	1,682	
Administrative expenses	(438)	(395)	
Operating profit	2,326	1,287	
Finance costs	(772)	(798)	
Other income	12	-	
Income before income tax	1,565	489	
Income tax	(439)	(142)	
Profit for the period	1,126	347	

**THE GUARANTOR'S COMBINED  
CASH FLOW**

	As of June 30, <b>2022</b>	As of June 30, <b>2021</b>	(Thousands of US\$)
Cash flows from operating activities			
Income before income tax	1,565	489	
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation and amortization	1,456	1,452	
Interest on borrowings and lease liabilities, net	760	795	
Changes in assets and liabilities:			
Trade and other receivables	643	(450)	
Trade and other payables	(301)	16	
Prepaid expenses and other assets	158	448	
Inventory	(1)	(5)	
Income tax paid	(240)	(271)	
Net cash provided by operating activities	4,039	2,475	
Cash flows from investing activities			
Additions of plant and equipment	(247)	-	
Net cash used in investing activities	(247)	-	
Cash flows from financing activities			
Related loan	(309)	(326)	
Interest paid	(727)	(433)	
Prepaid dividend tax	(29)	(30)	
Principal lease payments	(55)	(53)	
Net cash used in financing activities	(1,120)	(842)	
Net increase in cash and cash equivalents	2,672	1,632	
Cash and cash equivalents at the beginning of the year	2,274	2,172	
Cash and cash equivalents at end of the period	4,946	3,804	
Non-Cash financing activities			
Right of use asstes	-	(16)	
Lease liabilities	-	16	



UEP Penonomé II, S.A.  
and TecniSol Group

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