



UEP Penonomé II, S.A.  
and Tecnisol Group

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# Q3-2022

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## MANAGEMENT DISCUSSION AND ANALYSIS

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



The present report is presented in compliance with the indenture dated September, 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

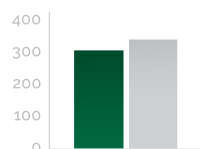
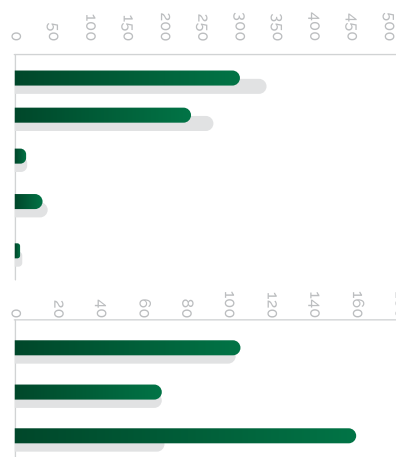
### OPERATIONAL DATA

#### ENERGY BALANCE (MWh)

	2022	2021
Energy Sales	321.87	373.6
Sales through PPA - Discos	252.4	291.1
Sales through PPA - Tecnisol	19.5	22.3
Sales through Spot	43.5	49.8
Compensation	6.4	10.5

#### PRICES (US\$/MWh)

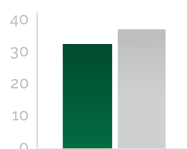
Discos PPA avg sales price	103.8	103.0
Tecnisol PPA avg sales price	65.3	65.3
Average Spot Sales price	156.3	69.5



#### Generation (GWh)

**2022: 321.9**

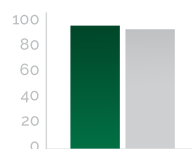
2021: 373.6



#### Plant Factor (%)

**2022: 22.8%**

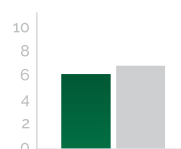
2021: 26.5%



#### Operational availability (%)

**2022: 96.3%**

2021: 94.7%



#### Wind resource (m/s)

**2022: 5.06**

2021: 5.79

## 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 to September low wind season months. During the first nine months ended September 30, 2022 our UEP II Wind Project production was 321.9 GWh, 13.9% below the 373.6 GWh generated during the same period of the previous year ended September 30, 2021.

### ANALYSIS OF THE WIND RESOURCE

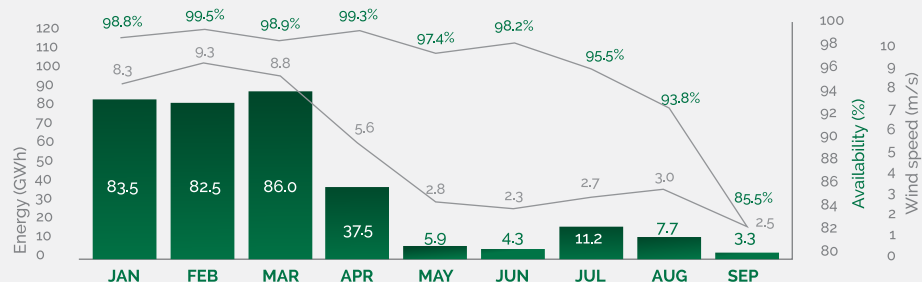
The average wind resource for the third quarter of 2022 has been 5.1 m/s, being 12.5% below than the previous period ended in September 30, 2021. An explanation to this is the presence of La Niña Phenomenon that causes the extension of the non-windy season. When La Niña occurs, the rainy season is extended 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 and according to the latest NOAA report, there is a 75% probability that these conditions will continue until February 2023.

## OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended September 30, 2022 was 96.3%, a 1.7% above 94.7% availability of the same period of 2021.

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

## GENERATION, WIND SPEED AND AVAILABILITY Q1, Q2 and Q3 2022



## III. STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
Energy revenues	34,992	35,958
Costs of goods and services	(15,902)	(16,495)
Gross profit	19,090	19,463
Administrative expenses	(2,537)	(2,495)
Operating profit	16,553	16,967
Finance Cost, net	(5,772)	(10,767)
Other income	130	11
Profit (loss) before income tax	10,911	6,211
Income tax	696	(17)
Profit for the period	11,607	6,194

(Thousands of US\$)

### REVENUES

The Issuer's energy revenues for the period ended September 30, 2022, were US\$34.992 million, a decrease of US\$966 thousand, or 3%, compared to the Issuer's energy revenues of US\$35.958 million for the same period in 2021. This variation was primarily attributable to a decrease in wind energy (52 GWh) due to weather conditions caused by the "La Niña" phenomenon. This decrease was partially offset by a positive impact of spot sales due to higher spot prices (US\$156.29/MWh vs US\$69.48/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 costs of goods and services for the period ended September 30, 2022, were US\$ 15.902 million, a decrease of US\$593 thousand, or 4%, as compared to the Issuer's costs of goods and services of US\$16.495 million for the period ended September 30, 2021. This decrease was primarily attributable to:

- US\$154 thousand lower transmission costs.
- US\$593 thousand lower repairs and maintenance costs.
- US\$19 thousand lower salaries and other benefits.
- US\$13 thousand lower security costs.

### PARTIALLY OFFSET BY:

- US\$188 thousand higher energy own consumption.

## Administrative expenses

The Issuer's administrative expenses for the period ended September 30, 2022, were US\$ 2.537 million, an increase of US\$42 thousand, or 2%, as compared to the Issuer's administrative expenses of US\$2.495 million for the period ended September 30, 2021. This increase was primarily attributable to:

- US\$130 thousand higher wake effect compensation expenses due to the increase in the spot prices.
- US\$12 thousand higher fuel costs.

Partially offset by:

- US\$57 thousand lower regulator fees.
- US\$39 thousand lower professional services expenses.

## Finance Cost, net

The Issuer's total finance costs for the period ended September 30, 2022, were US\$5.772 million, a decrease of US\$4.995 million, or 46%, compared to the Issuer's total finance cost of US\$10.767 million for the period ended September 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\$3.326 million).

## Income tax

The Issuer's income tax for the period ended September 30, 2022, was US\$696 thousand, compared to the Issuer's income tax of (US\$17) thousand for the period ended September 30, 2021. This increase is attributable to a lower deferred tax of US\$815 thousand partially offset by US\$102 thousand higher current income tax.



## IV. CASH FLOW STATEMENT

	As of September 30,	
	2022	2021
Net cash provided by operating activities	29,018	28,157
Net cash provided by investing activities	2,321	2,049
Net cash used in financing activities	(28,403)	(25,09)
Net increase in cash and cash equivalents	<b>2,935</b>	<b>5,117</b>
Cash and cash equivalents at the end of period	<b>8,421</b>	<b>19,988</b>

(Thousands of US\$)

## LIQUIDITY

### Operating Activities

For each of the nine months ended September 30, 2022 and 2021, the Issuer's net cash provided by operating activities was US\$29,018 million and US\$28,157 million. The main driver for this increase is mainly explained by US\$4,700 million increase in profit before income tax, US\$1,324 million higher account receivables; partially offset by US\$4,012 million higher fair value gain of the derivative financial instrument (interest SWAP), US\$952 thousand lower account payables and US\$1,647 million lower prepaid expenses.

### Investing Activities

For each of the nine months ended September 30, 2022 and 2021, the Issuer's net cash provided by investing activities was US\$2,321 million and US\$2,049 million, respectively. The main variation corresponds to collection from Guarantor loan, in which the interest paid of the period in 2022 was US\$1,445 million representing twelve months versus US\$1,178 thousand equals to nine months in 2021.

### Financing Activities

For each of the nine months ended September 30, 2022 and 2021, the Issuer's net cash used in financing activities was US\$28,403 million and US\$25,090 million, respectively. The main variation corresponds to the Senior Bonds, in which the interest paid of the period in 2022 was US\$17,850 million representing twelve months versus US\$14,878 million equals to nine months in 2021.

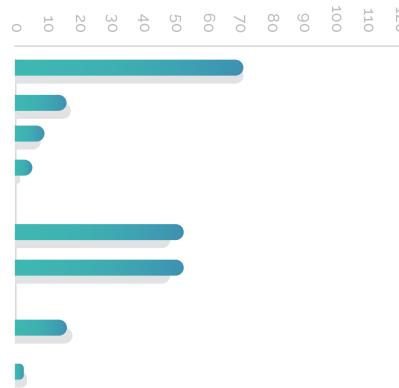
# TECNISOL GROUP: THE GUARANTORS

## I. OPERATIONAL HIGHLIGHTS

### OPERATIONAL DATA

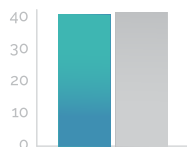
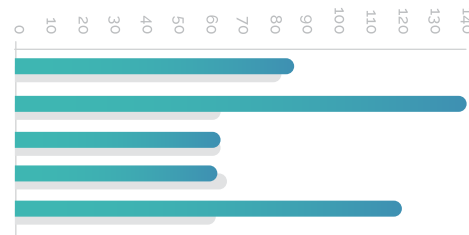
#### Energy Balance (GWh)

	2022	2021
Energy sales	107.0	116.1
Energy Purchase - UEPII	19.5	22.3
Energy Purchase - Hydro	25.2	22.9
Energy Purchase - Spot	5.3	0.9
Exports from MER	0.9	11.2
Sales through PPA	80.5	87.0
Large clients	79.6	75.8
MERELEC	0.9	11.2
Sales through Spot	22.4	25.0
Compensation	4.1	4.1



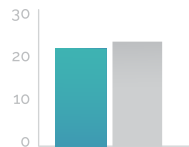
#### Prices (US\$/MWh)

PPA avg sales price	87.2	80.0
Avg Spot Sales price	122.8	62.8
Avg Purchase price - UEPII	65.3	65.3
Avg Purchase price - Hydro	59.8	59.6
Avg Purchase price - Spot	111.9	61.8



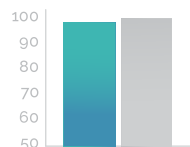
#### Generation (GWh)

**2022: 56.8**  
2021: 59.0



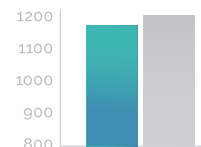
#### Plant Factor (%)

**2022: 21.7%**  
2021: 22.6%



#### Operational availability (%)

**2022: 98.7%**  
2021: 99.6%



#### Solar resource (kWh/m2)

**2022: 1,619**  
2021: 1,675

## 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, 2022, the Tecnisol Solar Project's energy generation was 56.8 GWh. The generation has been an 3.7% below the production in the same period ended September 30, 2021, of 59.0 GWh.

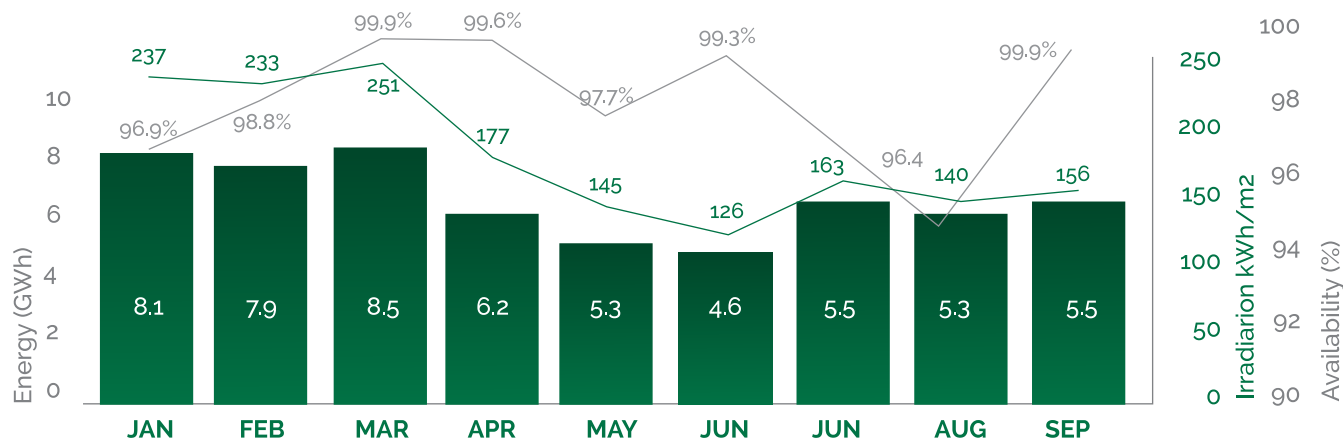
The solar irradiation during this period has been of 1,619 kWh/m2, being a 3.4% below the irradiation for the same period ended September 30, 2021.

## OPERATIONS AND AVAILABILITY

The O&M availability, measured in the inverters, for the first nine months ended September 30, 2022 was 99.5%. The global availability of the plant, including grid and other sources of unavailability, has been 98.7%, being an indicator that the plant is performing well, and no relevant events have affected the production. The global availability has been above the value of 98.2% in the same period ended September 30, 2021.

The Performance Ratio year to date has been above the guaranteed values, an average of 84.2%.

### GENERATION, IRRADIATION AND AVAILABILITY Q1, Q2 and Q3 2022



## III. STATEMENT OF COMPREHENSIVE INCOME

	As of September 30, 2022	2021
Energy revenues	10,271	8,964
Costs of goods and services	(6,825)	(6,473)
Gross profit	3,446	2,491
Administrative expenses	(598)	(635)
Operating profit	2,848	1,856
Finance Cost, net	(1,182)	(1,205)
Other income	12	-
Profit (loss) before income tax	1,678	651
Income tax	(501)	(171)
Profit for the period	1,176	480

(Thousands of US\$)

## ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended September 30, 2022 were US\$10.271 million, an increase of US\$1.307 million, or 15%, compared to the Guarantors' combined energy revenues of US\$8.964 million for the period ended September 30, 2021. This increase was primarily attributable to higher spot sales as a consequence of the rise in the spot price (US\$122.8/MWh for the period ended September 30, 2022, compared to US\$62.8/MWh for the period ended September 30, 2021) caused by an increase in the international fuel prices and a lack of hydroelectric generation. Also, 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\$34 thousand.

## COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended September 30, 2022 were US\$6.825 million, an increase of US\$352 thousand, compared to the Guarantors' combined cost of goods and services of US\$6.473 million for the period ended September 30, 2021. This increase is primarily attributable to:

- US\$346 thousand higher energy purchases from spot market and spot regional market (caused mainly by an increase in the spot price).
- US\$11 thousand higher repairs and maintenance expenses.

## ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended September 30, 2022 were US\$598 thousand, a decrease of US\$37 thousand, compared to the Guarantors' combined administrative expenses of US\$635 thousand for the period ended September 30, 2021. This decrease is primarily attributable to:

- US\$29 thousand lower regulator fees.
- US\$9 thousand lower professional fees expenses related to energy consultants for the large clients.



#### FINANCE COST

The Guarantors' combined finance cost for the period ended September 30, 2022 was US\$1.182 million, a decrease of US\$23 thousand, compared to the Guarantors' combined finance cost of US\$1.205 million for the period ended September 30, 2021.

#### INCOME TAX

The Guarantors' combined income tax for the period ended September 30, 2022 was US\$501 thousand, an increase of US\$330 thousand, compared to the Guarantors' combined finance cost of US\$171 thousand for the period ended September 30, 2021.

## IV. CASH FLOW STATEMENT

	As of September 30,	
	2022	2021
Net cash provided by operating activities	5,414	3,797
Net cash used in investing activities	(265)	-
Net cash used in financing activities	(2,456)	(2,177)
Net increase in cash and cash equivalents	2,693	1,619
Cash and cash equivalents at end of the period	4,968	3,791

(Thousands of US\$)

## LIQUIDITY

### OPERATING ACTIVITIES

For each of the nine months ended September 30, 2022 and 2021, the Guarantors' combined net cash provided by operating activities was US\$5.414 million and US\$3.797 million, respectively. The positive variance refers to US\$1.027 million higher income before taxes, US\$1.386 million higher account receivables, US\$5 thousand higher prepaid expenses, partially offset by US\$783 thousand lower accounts payables and US\$31 thousand lower income tax paid.

### INVESTING ACTIVITIES

For each of the nine months ended September 30, 2022 and 2021, the Guarantors' combined net cash used in investing activities was US\$265 thousand and US\$0 thousand, respectively. The variation refers to an addition of PP&E.

### FINANCING ACTIVITIES

For each of the nine months ended September 30, 2022 and 2021, the Guarantors' combined net cash flows used in financing activities was US\$2.456 million and US\$2.177 million, respectively. This increase of US\$278 thousand mainly refers to the interest paid under the loan with the Issuer, in which for 2022 is equivalent to twelve months period (US\$1.445 million) versus nine-month period in 2021 (US\$1.178 million).

# THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED  
September 30, 2022

	As of September 30, 2022	As of December 31, 2021
<b>THE ISSUER'S BALANCE SHEET</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,421	5,486
Trade and other receivables	2,409	8,441
Current portion of related debt receivable	997	899
Prepaid expenses	3,563	1,954
Inventory	42	39
Total current assets	15,431	16,818
<b>Non-current assets</b>		
Long-term portion of related debt receivable	20,483	21,480
Plant and equipment, net	205,794	216,209
Intangible assets	110	110
Goodwill	20,000	20,000
Total non-current assets	246,387	257,799
Total assets	261,819	274,617
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Current portion of bonds	11,256	14,300
Trade and other payables	606	2,653
Lease liabilities short term	41	158
Income tax payables	102	-
Total current liabilities	12,005	17,111
<b>Non-current liabilities</b>		
Lease liabilities long term	8,232	8,232
Deferred income tax	407	1,205
Long-term of bonds	224,072	234,949
Derivative financial instrument	-	7,625
Total non-current liabilities	232,711	252,011
Total liabilities	244,716	269,122
<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	(38,739)	(50,346)
Prepaid dividend tax	(134)	(134)
Total equity	17,103	5,495
Total liabilities and equity	261,819	274,617

(Thousands  
of US\$)

## THE ISSUER'S INCOME STATEMENT

(Thousands of US\$)

	As of September 30, <b>2022</b>	As of September 30, <b>2021</b>
Energy revenues	34,992	35,958
Costs of goods and services	(15,902)	(16,495)
Gross profit	19,090	19,463
Administrative expenses	(2,537)	(2,495)
Operating profit	16,553	16,967
Finance Cost, net	(5,772)	(10,767)
Other income	130	11
Profit (loss) before income tax	10,911	6,211
Income tax	696	(17)
Profit for the period	11,607	6,194



# THE ISSUER'S CASH FLOW

(Thousands  
of US\$)

	As of September 30, <b>2022</b>	As of September 30, <b>2021</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	10,911	6,211
Adjustments to reconcile profit before income tax to net cash provided by operating activities:		
Depreciation and amortization	10,438	10,440
Finance cost amortization	379	347
Interest on borrowings and lease liabilities, net	13,289	14,785
Earned Interest	(1,077)	(1,124)
Fair value (gain) on derivative financial instrument	(7,338)	(3,326)
Net changes in assets and liabilities:		
Trade and other receivables	5,664	4,341
Trade and other payables	(1,636)	(2,588)
Prepaid expenses	(1,609)	38
Inventory	(3)	(21)
Income tax paid	-	(947)
Net cash provided by operating activities	29,018	28,157
<b>Cash flows from investing activities</b>		
Additions of plant and equipment	(8)	-
Additions of intangible assets	(15)	(15)
Collection for loan intercompany	899	886
Interest received	1,445	1,178
Net cash provided by investing activities	2,321	2,049
<b>Cash flows from financing activities</b>		
Issued bonds	(10,149)	(10,003)
Interest paid	(17,850)	(14,878)
Deferred financing cost	(287)	-
Principal lease payments	(117)	(94)
Prepaid dividend tax	-	(115)
Net cash used in financing activities	(28,403)	(25,090)
Net increase in cash and cash equivalents	2,935	5,117
Cash and cash equivalents at the beginning of year	5,486	14,872
Cash and cash equivalents at the end of the period	8,421	19,988

# THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED SEPTEMBER 30, 2022

### THE GUARANTOR'S COMBINED BALANCE SHEET

	As of September 30, <b>2022</b>	As of December 31, <b>2021</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	4,968	2,274
Trade and other receivables	1,433	2,265
Prepaid expenses and other assets	391	515
Inventory	7	6
Total current assets	6,799	5,060
Non-current assets		
Plant and equipment, net	33,374	35,281
Intangible assets	220	228
Other receivables	38	38
Total non-current assets	33,631	35,546
Total assets	40,430	40,606
<b>Liabilities and Equity</b>		
Current liabilities		
Lease liabilities short-term	6	24
Current portion of related loan	997	1,267
Income tax payable	501	240
Trade and other payables	1,201	1,501
Total current liabilities	2,705	3,031
Non-current liability		
Lease liabilities long term	1,194	1,194
Long-term of related loan	20,483	21,480
Total non-current liability	21,678	22,675
Total liabilities	24,383	25,706
Equity		
Parent company investment	40	40
Capital Contribution	15,272	15,272
Retained earnings (accumulated de	853	(324)
Prepaid dividend tax	(118)	(89)
Total equity	16,047	14,900
Total liabilities and equity	40,430	40,606

(Thousands  
of US\$)

## THE GUARANTOR'S COMBINED INCOME STATEMENT

	As of September 30, <b>2022</b>	As of September 30, <b>2021</b>
Energy revenue	10,271	8,964
Costs of goods and services	(6,825)	(6,473)
Gross profit	3,446	2,491
Administrative expenses	(598)	(635)
Operating profit	2,848	1,856
Finance costs	(1,182)	(1,205)
Other income	12	-
Income before income tax	1,678	651
Income tax	(501)	(171)
Profit for the period	1,176	480

(Thousands  
of US\$)

## THE GUARANTOR'S COMBINED CASH FLOW

	As of September 30, <b>2022</b>	As of September 30, <b>2021</b>
<b>Cash flows from operating activities</b>		
Income before income tax	1,678	651
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation and amortization	2,179	2,179
Interest on borrowings and lease liabilities, net	1,143	1,195
Changes in assets and liabilities:		
Trade and other receivables	832	(554)
Trade and other payables	(300)	483
Prepaid expenses and other assets	124	119
Inventory	(1)	(5)
Income tax paid	(240)	(271)
Net cash provided by operating activities	5,414	3,797
<b>Cash flows from investing activities</b>		
Additions of plant and equipment	(265)	-
Net cash used in investing activities	(265)	-
<b>Cash flows from financing activities</b>		
Related loan	(899)	(886)
Interest paid	(1,445)	(1,178)
Prepaid dividend tax	(29)	(30)
Principal lease payments	(84)	(84)
Net cash used in financing activities	(2,456)	(2,177)
Net increase in cash and cash equivalents	2,693	1,619
Cash and cash equivalents at the beginning of the period	2,274	2,172
Cash and cash equivalents at end of the period	4,968	3,791
<b>Non-Cash financing activities</b>		
Right of use asstes	-	(16)
Lease liabilities	-	16

(Thousands  
of US\$)