



UEP Penonomé II, S.A.
and Tecnisol Group

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022



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

CONTENT

3 Note to holders

UEP II : The Issuer

- 4 I. Operational highlights
- 4 II. Management discussion and analysis of main variances
- 6 III. Statement of Comprehensive Income
- 8 IV. Cash Flow Statement

Tecnisol Group: The Guarantors

- 9 I. Operational highlights
- 9 II. Management discussion and analysis of main variances
- 11 III. Statement of Comprehensive Income
- 13 IV. Cash Flow Statement

DEAR SENIOR NOTE HOLDERS,

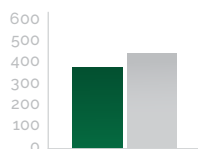
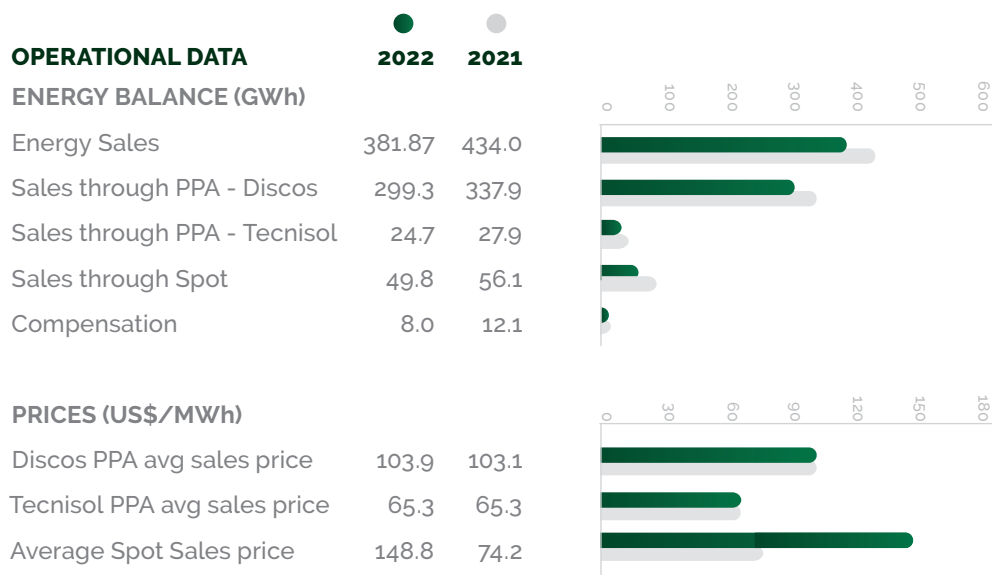
During 2022, pre-pandemic demand growth was seen due to the end of the government's anti-COVID-19 measures (test/ masks requirement) that enabled the reopening by complete of the productive activities that remained limited, like tourism. It was observed an annual energy consumption growth of 3.81% against 2021 and the system settled a new maximum demand of 2,031 MW in May. La Niña Phenomenon was present the whole year, affecting the wind speed and the energy production of the wind farm. Spot prices increased due to Russia's invasion of Ukraine that caused fuel prices soar in global commodity markets and the unavailability of some hydro plants that kept prices high even in the rainy season. Average spot price for 2022 was 106.9 US\$/MWh (49% higher than Avg. price for 2021 = 71 US\$/MWh).

The distribution companies have been complying with their payments with an outstanding balance of US\$924,463.44 as of December 31st, 2022.

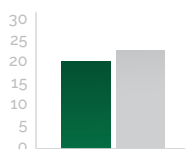
We maintain the improved availability of our wind farm higher than 95% with no major events. During 2022, we installed the blades monitoring system with the support of Goldwind to obtain real time event on the rout. As of December 2022, blades were shipped from China. Our solar plants are fully operational and have completely sorted the last set up items in the inverters from the previous year, proven by an availability in excess of 98%. Our labor costs and administrative structure has been streamlined so as to keep the cost controlled going forward, while ensuring the operational excellence on our renewable portfolio

UEPII: THE ISSUER

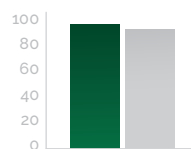
I. OPERATIONAL HIGHLIGHTS



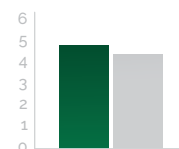
Generation (GWh)
2022: 381.9
 2021: 434.0



Plant Factor (%)
2022: 20.3%
 2021: 23.0%



Operational availability (%)
2022: 95.7%
 2021: 93.8%



Wind resource (m/s)
2022: 4.80
 2021: 4.55

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 whole year ended December 31, 2022 our UEP II Wind Project production was 381.9 GWh, 12.0% below the 434.0 GWh generated during the same period of the previous year ended December 31, 2021.

ANALYSIS OF THE WIND RESOURCE

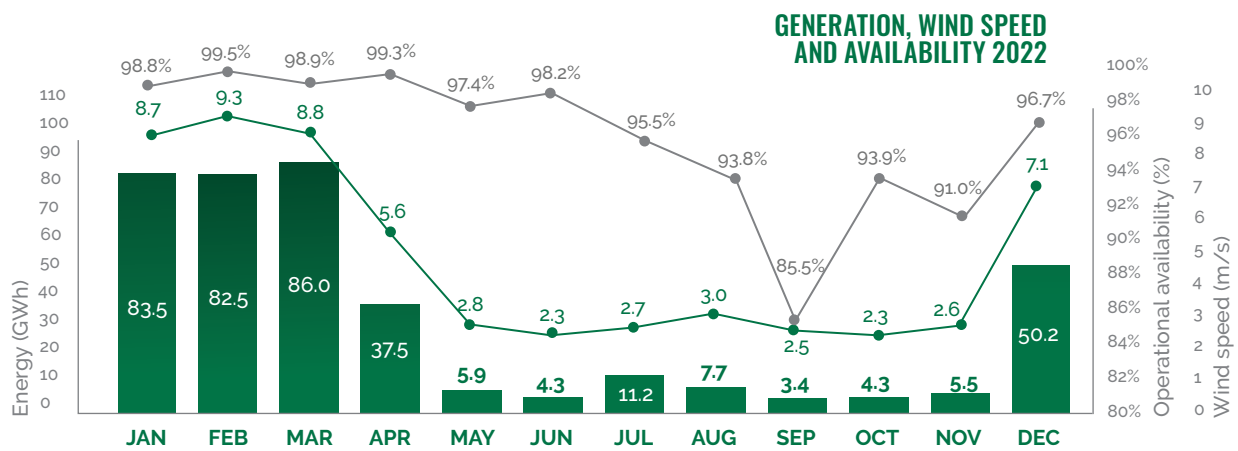
As of December 2022, the average wind speed was 4.8 m/s, 5.4% lower than the previous year.

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, considering it has been happening for two consecutive periods (there is no similar episode since 2011). It is expected a transition to a neutral season the following trimesters, which means higher production is anticipated for the second semester of 2023.

OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended December 31, 2022 was 95.7%, above the 93.8% availability of the same period of 2021.

Goldwind's availability has been 99.1% up to date (missing data for August, September, November and December that is still under revision), above the guaranteed value.



*Wind speed data from January to October is obtained from the meteorological masts, November and December data is obtained from the SCADA, measured in the wind turbine.



III. STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
(Thousands of US\$)		
Energy revenues	40,987	42,036
Costs of goods and services	(21,859)	(22,857)
Gross profit	19,128	19,179
Administrative expenses	(3,406)	(3,267)
Operating profit	15,722	15,912
Finance cost, net	(9,881)	(14,126)
Other income	130	34
Profit before income tax	5,971	1,820
Income tax	599	(2,683)
Profit (Loss) for the period	6,571	(863)

REVENUES

The Issuer's energy revenues for the period ended December 31, 2022, were US\$40.987 million, a decrease of US\$1.049 million, or 2%, compared to the Issuer's energy revenues of US\$42.036 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 (average spot sales price of US\$148.8/MWh in 2022 vs US\$74.2/MWh in 2021) caused by an increase in the international fuel prices, unavailability of some generation assets in the power system 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 December 31, 2022, were US\$21.859 million, a decrease of US\$998 thousand, or 4%, as compared to the Issuer's costs of goods and services of US\$22.857 million for the period ended December 31, 2021. This decrease was primarily attributable to:

- US\$157 thousand lower transmission costs.
- US\$1.014 million lower repairs and maintenance costs.
- US\$97 thousand lower salaries and other benefits.
- US\$13 thousand lower security costs.

Partially offset by:

- US\$263 thousand higher energy own consumption.

ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the period ended December 31, 2022, were US\$ 3.406 million, an increase of US\$139 thousand, or 4%, as compared to the Issuer's administrative expenses of US\$3.267 million for the period ended December 31, 2021. This increase was primarily attributable to:

- US\$125 thousand higher wake effect compensation expenses due to the increase in the spot prices.
- US\$84 thousand higher other costs.
- US\$63 thousand higher insurance costs.
- US\$8 thousand higher fuel costs.

Partially offset by:

- US\$71 thousand lower regulator fees.
- US\$35 thousand lower substation costs.
- US\$32 thousand lower professional services expenses.

FINANCE COST, NET

The Issuer's total finance costs for the period ended December 31, 2022, were US\$9.881 million, a decrease of US\$4.245 million, or 30%, compared to the Issuer's total finance cost of US\$14.126 million for the period ended December 31, 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\$4.709 million).

INCOME TAX

The Issuer's income tax for the period ended December 31, 2022, was US\$599 thousand, compared to the Issuer's income tax of (US\$2.683) million for the period ended December 31, 2021. This decrease is attributable to the deferred tax liability computation of US\$3.283 million.



IV. CASH FLOW STATEMENT

	2022	2021
(Thousands of US\$)		
Net cash provided by operating activities	26,831	25,136
Net cash used in provided by investing activities	1,772	1,845
Net cash used in financing activities	(28,599)	(36,368)
Net increase (decrease) in cash and cash equivalents	5	(9,386)
Cash and cash equivalents at the end of the period	5,490	5,486

LIQUIDITY

OPERATING ACTIVITIES

For the period ended December 31, 2022 and 2021, the Issuer's net cash provided by operating activities was US\$26.831 million and US\$25.136 million. The driver for this positive variation is mainly explained by US\$4.152 million increase in profit before income tax, US\$1.448 million higher account receivables; partially offset by US\$2.629 million higher fair value gain of the derivative financial instrument (interest SWAP), US\$1.731 million higher prepaid expenses and US\$1.592 million lower account payables.

INVESTING ACTIVITIES

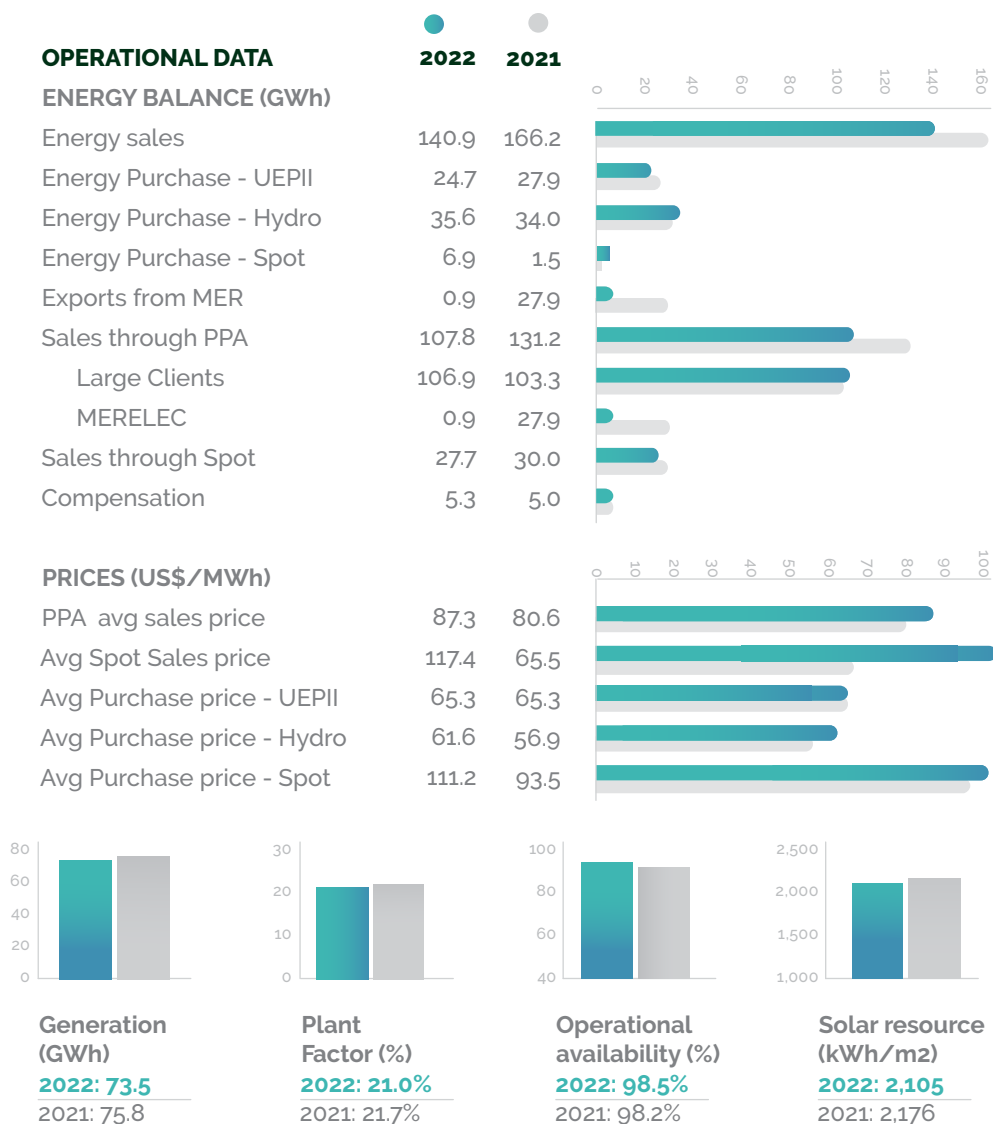
For the period ended December 31, 2022 and 2021, the Issuer's net cash provided by investing activities was US\$1.772 million and US\$1.845 million, respectively. The main variation corresponds to US\$353 thousand higher on additions to PP&E partially offset by US\$279 thousand higher in collection from 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 the period ended December 31, 2022 and 2021, the Issuer's net cash used in financing activities was US\$28.599 million and US\$36.368 million, respectively. The negative variation corresponds to dividends not distributed in 2022 partially offset by the Senior Bonds, in which the interest paid of the period in 2022 was US\$18.005 million representing twelve months versus US\$16.124 million equals to nine months in 2021.

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 whole year ended December 31, 2022, the Tecnisol Solar Project's energy generation was 73.5 GWh. The generation has been an 3.1% below the production in the same period ended December 31, 2021, of 75.8 GWh.

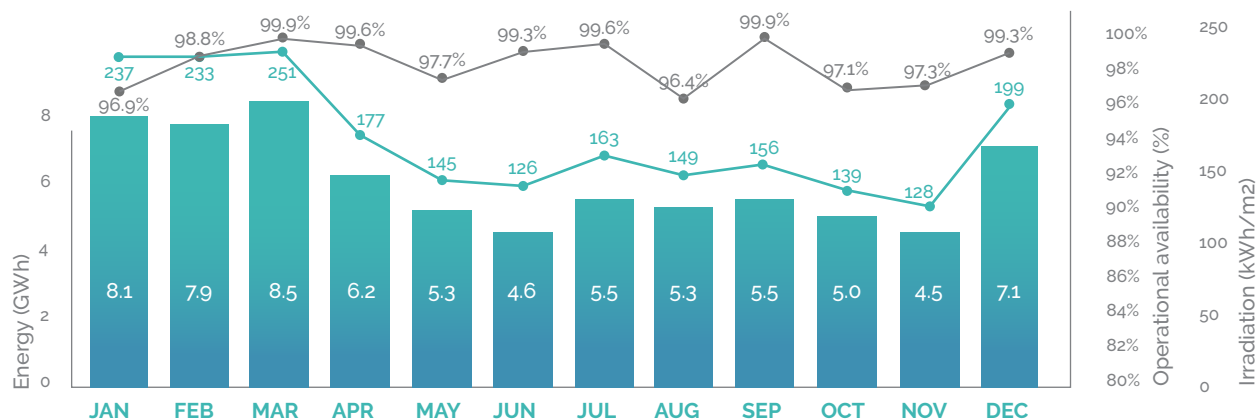
The solar irradiation during this year has been of 2,105 kWh/m2, being a 3.3% below the irradiation for the same period ended December 31, 2021.

OPERATION AND AVAILABILITY

The O&M availability, measured in the inverters, for the whole year ended December 31, 2022 was 99.3%. The global availability of the plant, including grid and other sources of unavailability, has been 98.5%, 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 December 31, 2021.

The Performance Ratio for the whole year has been above the guaranteed values, an average of 84.5%.

GENERATION, IRRADIATION AND OPERATIONAL AVAILABILITY 2022



III. STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
(Thousands of US\$)		
Energy revenue	13,272	12,919
Costs of goods and services	(9,193)	(9,859)
Gross profit	4,079	3,061
Administrative expenses	(793)	(861)
Operating profit	3,286	2,199
Finance costs	(1,584)	(1,607)
Other income	15	56
Income before income tax	1,717	648
Income tax	(531)	(240)
Profit for the period	1,186	409

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended December 31, 2022 were US\$13.272 million, an increase of US\$353 thousand, or 3%, compared to the Guarantors' combined energy revenues of US\$12.919 million for the period ended December 31, 2021. This increase was primarily attributable to higher spot sales (average spot sales price of US\$117.4/MWh for the period ended December 31, 2022, compared to US\$65.5/MWh for the period ended December 31, 2021) caused by an increase in the international fuel prices, unavailability of some generation assets in the power system and a lack of hydroelectric generation. Also, the PPA sales had a positive impact than the previous year since the average price was higher (US\$87.3/MWh in 2022 vs US\$80.6/MWh in 2021) because of an increase in the regulated tariff, used as an indexation parameter.

COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended December 31, 2022 were US\$9.193 million, a decrease of US\$666 thousand, compared to the Guarantors' combined cost of goods and services of US\$9.859 million for the period ended December 31, 2021. This decrease is primarily attributable to:

- US\$1.704 million lower energy purchases from regional spot market.

Partially offset by:

- US\$883 thousand higher energy purchases from spot market (caused mainly by an increase in the spot price).
- US\$85 thousand higher energy purchases from reserve contracts.
- US\$54 thousand higher repairs and maintenance expenses.



ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended December 31, 2022 were US\$793 thousand, a decrease of US\$68 thousand, compared to the Guarantors' combined administrative expenses of US\$861 thousand for the period ended December 31, 2021. This decrease is primarily attributable to:

- US\$61 thousand lower regulator fees.
- US\$7 thousand lower professional fees expenses related to energy consultants for the large clients.

FINANCE COST

The Guarantors' combined finance cost for the period ended December 31, 2022 was US\$1.584 million, a decrease of US\$23 thousand, compared to the Guarantors' combined finance cost of US\$1.607 million for the period ended December 31, 2021.

INCOME TAX

The Guarantors' combined income tax for the period ended December 31, 2022 was US\$531 thousand, an increase of US\$291 thousand, compared to the Guarantors' combined finance cost of US\$240 thousand for the period ended December 31, 2021.

IV. CASH FLOW STATEMENT

	2022	2021
(Thousands of US\$)		
Net cash provided by operating activities	6,658	4,967
Net cash used in provided by investing activities	(691)	(129)
Net cash used in financing activities	(6,967)	(4,735)
Net (decrease) increase in cash and cash equivalents	(1,000)	102
Cash and cash equivalents at end of year	1,274	2,274

LIQUIDITY

OPERATING ACTIVITIES

For the period ended December 31, 2022 and 2021, the Guarantors' combined net cash provided by operating activities was US\$6.658 million and US\$4.967 million, respectively. The positive variance refers to US\$1.069 million higher income before taxes, US\$1.294 million higher account receivables, US\$307 thousand higher provisions, and other liabilities, partially offset by US\$793 thousand lower accounts payables and US\$214 thousand lower prepaid expenses.

INVESTING ACTIVITIES

For the period ended December 31, 2022 and 2021, the Guarantors' combined net cash used in investing activities was US\$691 thousand and US\$129 thousand, respectively. The variation refers to an addition of PP&E.

FINANCING ACTIVITIES

For the period ended December 31, 2022 and 2021, the Guarantors' combined net cash flows used in financing activities was US\$6.967 million and US\$4.735 million, respectively. This increase of US\$2.232 million mainly refers to capital distribution and the interest paid to 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).



UEP Penonomé II, S.A.
and Tecnisol Group

Republic of Panama, Obarrio, P.H.
Plaza 58 (PwC Tower) 9th floor.
(507) 201 5140

INTERENERGY.COM

