



UEP Penonomé II, S.A.
and TecniSol Group

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021



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

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DEAR SENIOR NOTE HOLDERS,

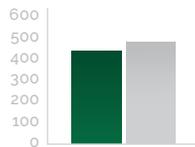
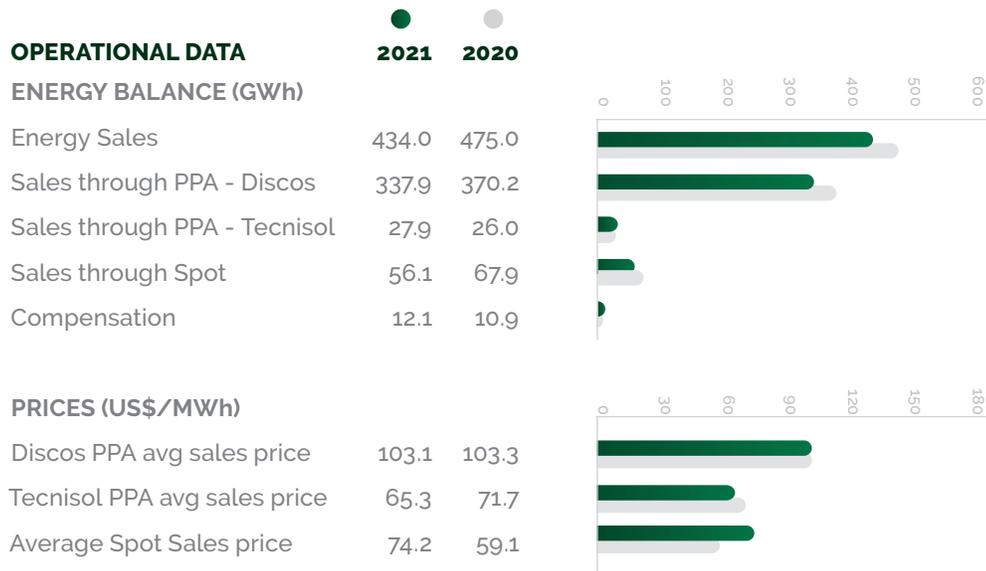
During 2021 a recovery of the demand was perceived product of the end of the government measures to stop the pandemic (ending of curfews and openness of the commercial activities gradually). It was observed an annual energy consumption recovery of 8.2% against 2020 and the system settled a new maximum demand of 2,020 MW in May. La Niña Phenomenon was present the whole year, affecting the wind speed and the energy production in the wind farm. Spot prices experienced an increase due to the gradual rising tendency of international fuel prices and the effect of the retirement of several thermoelectric plants in the country, leaving a very tight margin between demand and the offered firm capacity. Average spot price for 2021 was 71.7 US\$/MWh (53% higher than Avg. price for 2020 = 46.9 US\$/MWh) affected mainly for the strong rise during the Q4 in 2021.

The economy gradually improved as quarantine restrictions were lifted, in which the distribution companies have been complying with their payments with an outstanding balance of US\$2,311,159 as of December 31st, 2021. On the non-regulated segment, the client was able to pay off its invoices in the third quarter of the year.

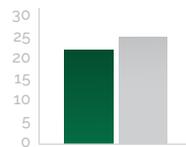
We maintain the improved availability of our wind farm higher than 93% and strengthen the relationship with Goldwind, the maintenance provider. During 2021, negotiations with Goldwind took place with the aim of implementing the blade enhancement plan that will comprise a real time event monitor on the rout. The reservation payment for acquiring 7 sets of blades as inventory was done. Our solar plants are fully operational and have sorted the last set up items in the inverters at the end of the 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

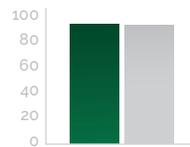
I. OPERATIONAL HIGHLIGHTS



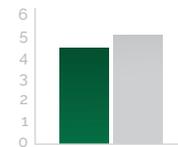
Generation (GWh)
2021: 434.0
 2020: 475.0



Plant Factor (%)
2021: 23%
 2020: 25.3%



Operational availability (%)
2021: 93.8%
 2020: 93.4%



Wind resource (m/s)
2021: 4.55
 2020: 5.12

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 and December are high wind season months. During the year ended December 31, 2021 our UEP II Wind Project production was 434.0 GWh, 8.6% below the 475.17 GWh generated during the same period of the previous year ended December 31, 2020.

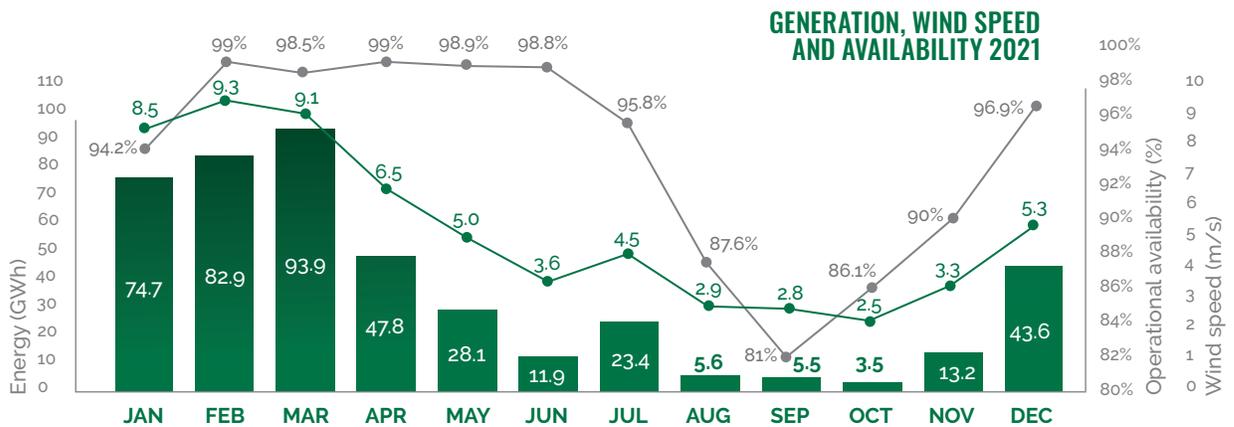
ANALYSIS OF THE WIND RESOURCE

As of December 2021, the average wind speed was 4.6 m/s, 11.1% lower than the previous year. La Niña Phenomenon that caused the extension of the non-windy season has extended during the whole year thus affecting the performance of the turbines more than anticipated.

OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended December 31, 2021, was 93.8%, a 0.4% above 93.4% availability of the same period of 2020. The main causes of unavailability are caused by the blade's repairs carried out during July to December.

Goldwind's availability up to date has been 99.1%, above the guaranteed value of 97%.



*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

	2021	2020
(Thousands of US\$)		
Energy revenues	42,036	45,247
Costs of goods and services	<u>(22,857)</u>	<u>(21,476)</u>
Gross profit	19,179	23,771
Administrative expenses	<u>(3,267)</u>	<u>(5,595)</u>
Operating profit	<u>15,912</u>	<u>18,176</u>
Finance cost, net	<u>(14,126)</u>	<u>(40,238)</u>
Other income	<u>34</u>	<u>15,387</u>
Profit (Loss) before income tax	1,820	(6,675)
Income tax	<u>(2,683)</u>	<u>2,756</u>
Profit (Loss) for the period	<u>(863)</u>	<u>(3,919)</u>

REVENUES

The Issuer's energy revenues for the period ended December 31, 2021, were US\$42.036 million, a decrease of US\$3.211 million, or 7%, compared to the Issuer's energy revenues of US\$45.247 million for the same period in 2020. This decrease was primarily attributable to a decrease in wind resource (41.1 GWh) due to weather conditions caused by the "La Niña" phenomenon throughout the year.

Although spot prices experienced growth throughout the second half of 2021, as a result of the rise in crude oil and natural gas prices, the decrease in the wind resource offset this increase.

COSTS OF GOODS AND SERVICES

The Issuer's cost of goods and services for the period ended December 31, 2021, remained in line with same figures of last year, as part of the cost control plan implemented since the COVID pandemic started. The increase by US\$1.381 million is due to blades maintenance.

ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the period ended December 31, 2021, were US\$ 3.267 million, a decrease of US\$2.328 million, or 42%, as compared to the Issuer's administrative expenses of US\$5.595 million for the period ended December 31, 2020. This decrease was primarily attributable to:

- US\$ 968 thousand lower management services expenses.

- A decrease of US\$833 thousand of salaries and other benefits to employees due to an internal restructuring plan.

- US\$456 thousand lower other intercompany expenses.

- US\$240 thousand lower other expenses.

- US\$101 thousand lower professional expenses.

These decreases were partially offset by:

- US\$107 thousand higher wake effect compensation expenses due to increase in spot prices during December 31, 2021, compared to the same period in 2020.
- US\$94 thousand higher insurance costs.
- US\$91 thousand higher substation share assets expenses.

TOTAL FINANCE COST

The Issuer's total finance costs for the period ended December 31, 2021, were US\$14.126 million, a decrease of US\$26.112 million, or 65%, compared to the Issuer's total finance cost of US\$40.238 million for the period ended December 31, 2020. This decrease was primarily attributable to the SWAP valuation in which it was positive for the current period (US\$4.709 million) as opposed to a cost in the previous period (US\$13.537 million).

INCOME TAX

The Issuer's income tax for the period ended December 31, 2021, was US\$2.683 million, compared to the Issuer's income tax of US\$2.756 million in favor for the period ended December 31, 2020. This increase is attributable to a higher deferred tax of US\$6.386 million.



IV. CASH FLOW STATEMENT

	2021	2020
(Thousands of US\$)		
Net cash provided by operating activities	25,136	20,747
Net cash used in provided by investing activities	1,845	(6,041)
Net cash used in financing activities	(36,368)	(76,125)
Net (decrease) increase in cash and cash equivalents	(9,386)	(61,419)
Cash and cash equivalents at the end of the period	5,485	14,872

LIQUIDITY

OPERATING ACTIVITIES

For the period ended December 31, 2021 and 2020, the Issuer's net cash provided by operating activities was US\$25.136 million and US\$20.747 million, respectively. The main driver for this increase is explained by: (a) variations in profit (loss) before income taxes explained above, (b) reduction in accounts payables for US\$23.266 million, due to the cancellation of professional fees with a parent company and the forgiveness of shareholder's loan interest (does not represent cash outflow); (c) US\$1.069 million lower accounts receivables due to the collection of the invoices of the distribution companies as a result of the moratorium established in 2020, (d) decrease in the fair value loss on derivative financial instrument by US\$18.246 million (does not represent cash outflow), (e) decrease in deferred financing costs by US\$8.698 million (does not represent outflow); partially offset by: (f) US\$2.037 million increase in interests on borrowings and (g) US\$1.260 million higher prepaid expenses.

INVESTING ACTIVITIES

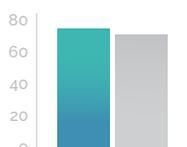
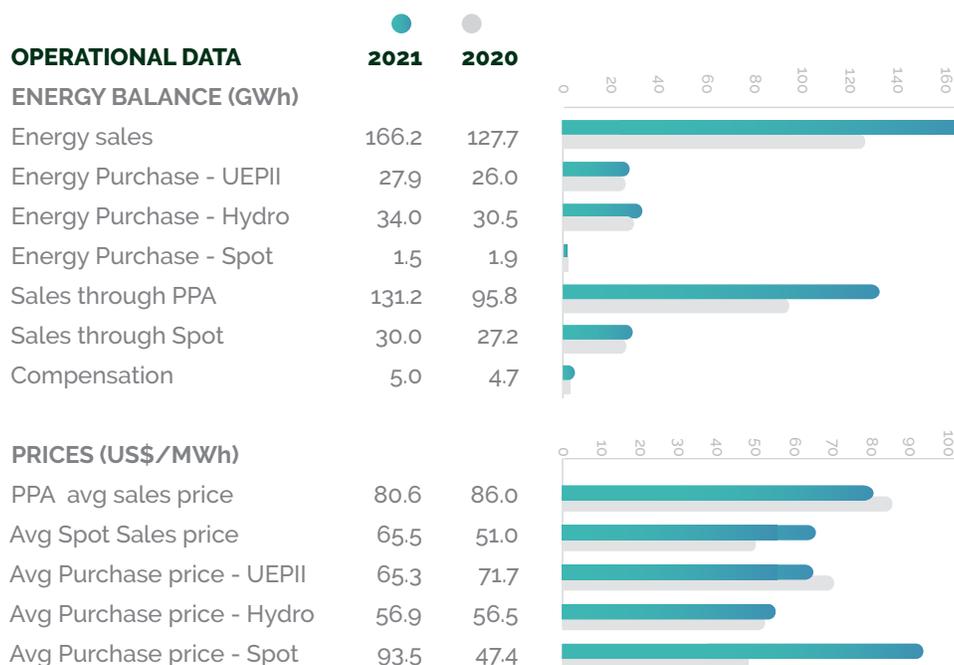
For the period ended December 31, 2021 and 2020, the Issuer's net cash provided (used in) investment activities were US\$1.845 million and US\$(6.041) million, respectively. The main variation for 2021 corresponds to collection from Guarantor's loan with debt service by US\$2.064 thousand.

FINANCING ACTIVITIES

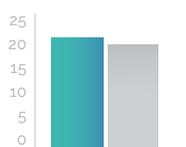
For the period ended December 31, 2021 and 2020, the Issuer's net cash used in financing activities was US\$36.368 million and US\$76.125 million, respectively, resulting with a decrease of US\$39.757 million. The main driver for this decrease is explained by the repayment of the IFC loan and the cancellation of the shareholder loan with the Senior Bonds.

TECNISOL GROUP: THE GUARANTORS

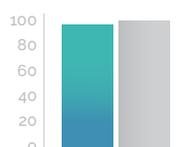
I. OPERATIONAL HIGHLIGHTS



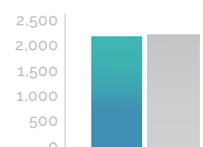
Generation (GWh)
2021: 75.8
2020: 70.6



Plant Factor (%)
2021: 21.7%
2020: 20.1%



Operational availability (%)
2021: 98.2%
2020: 99.1%



Solar resource (kWh/m2)
2021: 2,176
2020: 2,206

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, 2021, the Tecnisol Solar Project's energy generation was 75.8 GWh. The generation has been a 7% above the production in the same period ended December 31, 2020, of 70.6GWh.

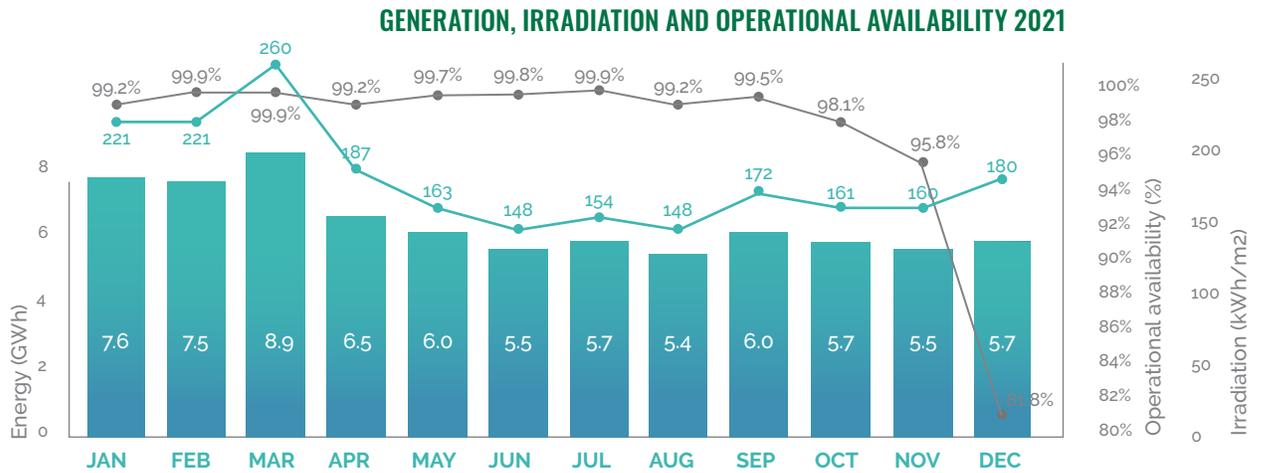
The solar irradiation during this year has been of 2,176 kWh/m2, being a 1% below the irradiation for the same period ended December 31, 2020.

From the results above, it can be seen that La Niña phenomenon characterized by higher rains and lower solar resource is still defining the plant results. Both the resource and the generation are below P75 values, but the generation is higher than in 2020.

OPERATION AND AVAILABILITY

The O&M availability, measured in the inverters, for the whole year ended December 31, 2021, was 98.4%, better than expected (98%). During November some inverters had problems with the electronics, and this affected directly the energy generation, at the end of January 2022 all the problems were solved. The operational availability (including inverter's, grid, maintenance and other availabilities) of the plant has been of 98.2%, below the 99.1% in the same period ended December 31, 2020.

The Performance Ratio year to date has been above the guaranteed values, an average of 85.2%. This value is higher than the 78% of the same period in 2020 when the insulation issues were affecting the plant. It is a clear sign of recovery and the fact that no new issues have arisen.



III. STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
(Thousands of US\$)		
Energy revenue	12,919	10,036
Costs of goods and services	(9,859)	(7,979)
Gross profit	3,061	2,058
Administrative expenses	(861)	(896)
Operating profit	2,199	1,162
Finance costs	(1,607)	(471)
Other income	56	47
Income before income tax	648	738
Income tax	(240)	(271)
Profit for the period	409	467

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended December 31, 2021 were US\$12.919 million, an increase of US\$2.883 million, or 29%, compared to the Guarantors' combined energy revenues of US\$10.036 million for the period ended December 31, 2020. This increase was primarily attributable to higher PPA sales as 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\$2,004 million.

Also, there was higher spot sales as a consequence of the rise in the spot sales price (US\$65.5/MWh for the period ended December 31, 2021 compared to US\$51.0/MWh for the period ended December 31, 2020).

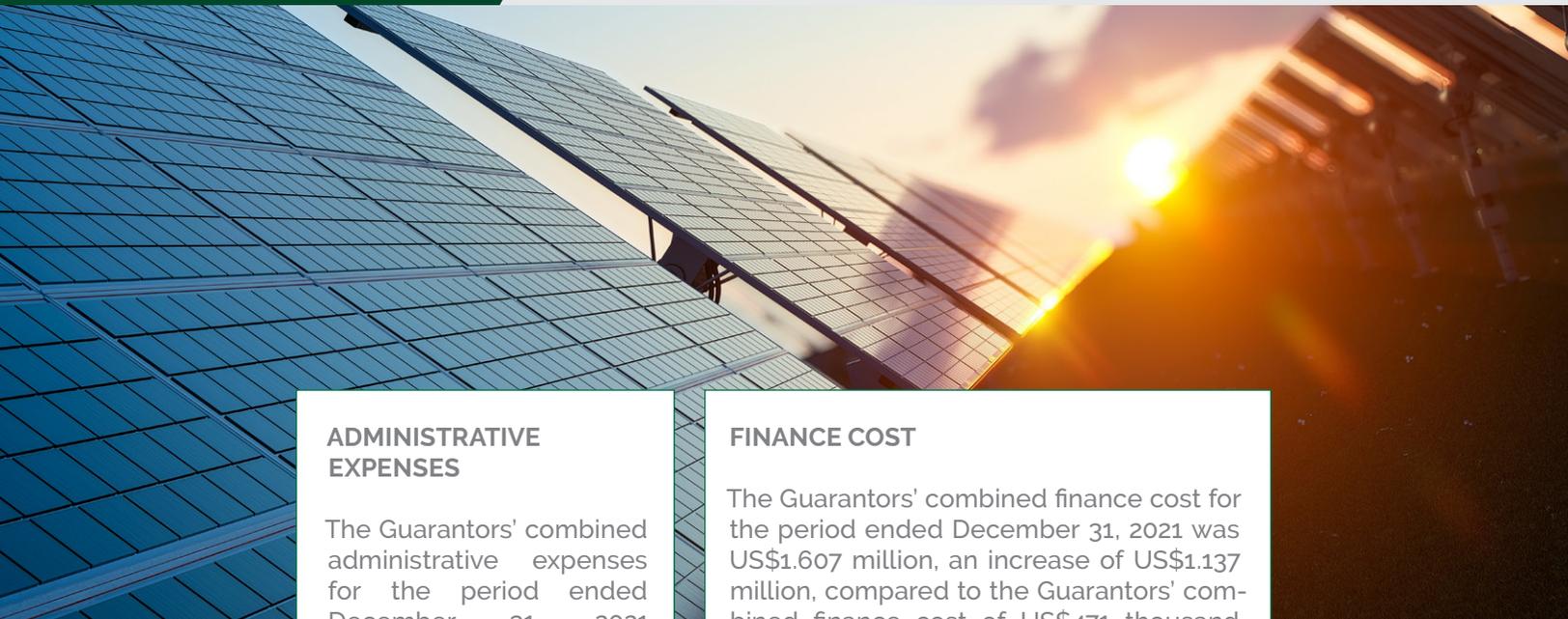
COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended December 31, 2021 were US\$9.859 million, an increase of US\$1.880 million, compared to the Guarantors' combined cost of goods and services of US\$7.979 million for the period ended December 31, 2020. This increase is primarily attributable to:

- US\$1.952 million higher energy purchases from spot market and regional spot market expenses.
- US\$135 thousand higher energy purchases from reserve contracts expenses.
- US\$53 thousand higher salaries and other benefits to employees' expenses due to an internal restructuring plan.

These increases were partially offset by:

- A decrease of US\$249 thousand repairs and maintenance expenses.



ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended December 31, 2021 remained in line with same figures of the same period in 2020 as part of the cost control plan implemented since the COVID pandemic started.

FINANCE COST

The Guarantors' combined finance cost for the period ended December 31, 2021 was US\$1.607 million, an increase of US\$1.137 million, compared to the Guarantors' combined finance cost of US\$471 thousand for the period ended December 31, 2020, primarily attributable to the interest's expense under the UEPII Shareholder loans granted as part of the proceeds of the Senior Notes.

INCOME TAX

The Guarantors' combined income tax for the period ended December 31, 2021 was US\$240 thousand, a decrease of US\$31 thousand, compared to the Guarantors' combined finance cost of US\$271 thousand for the period ended December 31, 2020. This decrease is attributable lower income before tax.



IV. CASH FLOW STATEMENT

(Thousands of US\$)

	2021	2020
Net cash provided by operating activities	4,967	432
Net cash used in provided by investing activities	(129)	(79)
Net cash used in financing activities	(4,735)	(1,149)
Net decrease in cash and cash equivalents	102	(796)
Cash and cash equivalents at end of year	2,274	2,172

LIQUIDITY

OPERATING ACTIVITIES

For the period ended December 31, 2021 and 2020, the Guarantors' combined net cash provided by operating activities was US\$4.967 million and US\$432 thousand, respectively. The positive variance refers to collection of past due invoices of one of the Guarantor's client that caught up in the third quarter and the reduction of payables.

INVESTING ACTIVITIES

For the period ended December 31, 2021 and 2020, the Guarantors' combined net cash used in investing activities was US\$129 thousand and US\$79 thousand, respectively. There was no material deviation between these periods.

FINANCING ACTIVITIES

For the period ended December 31, 2021 and 2020, the Guarantors' combined net cash flows used in financing activities was US\$4.735 million and US\$1.149 million, respectively. This increase of US\$3,586 million mainly refers to the first and second payment of the UEP2 loan and capital distribution.



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and TecniSol Group

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