



UEP Penonomé II, S.A.
and Tecnisol Group

Q2-2023

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED
JUNE 30, 2023, COMPARED
TO THE PERIOD ENDED
JUNE 30, 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.

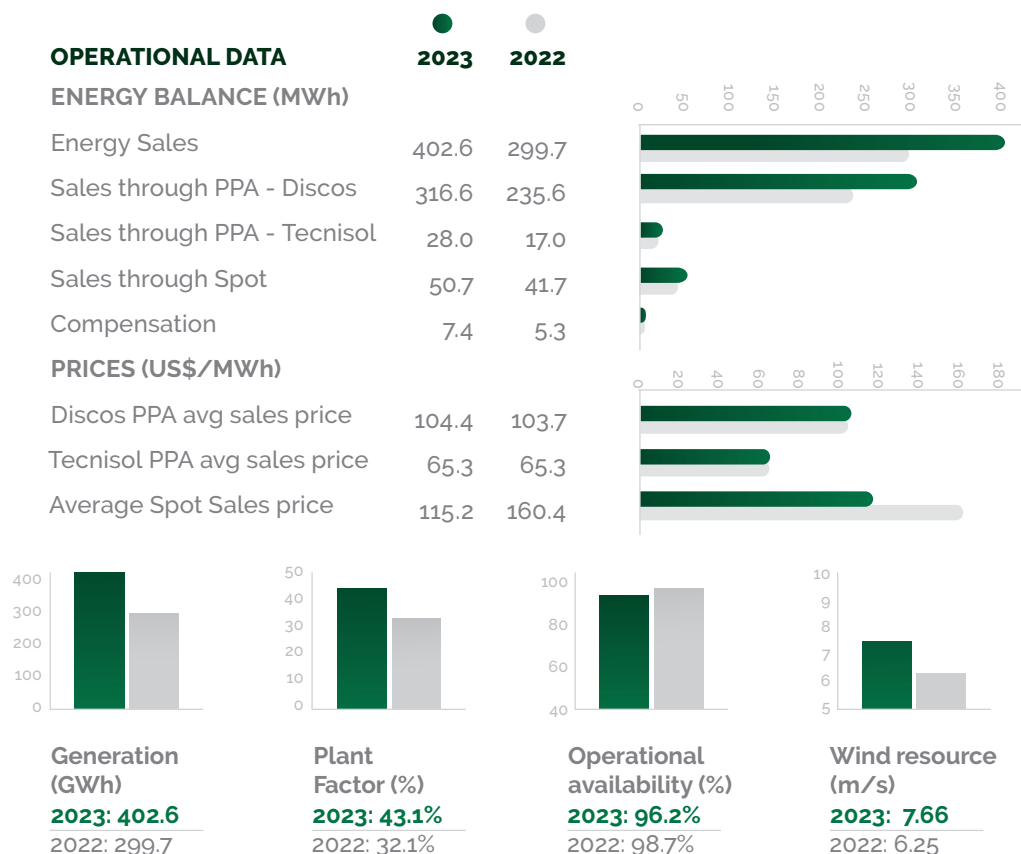
Under Section 5.04, the Issuer and the Guarantors shall provide within 60 days of the end of the first three Fiscal Quarters of each Fiscal Year of the Issuer unaudited consolidated quarterly financial statements of the Issuer and the Guarantors (including a balance sheet, statement of comprehensive 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.

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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 May are high wind season months and June low wind season. During the Q2 ended June 30, 2023 our UEP II Wind Project production was 402.6 GWh, 34.4% above the 299.7 GWh generated during the same period of the previous year ended June 30, 2022.

ANALYSIS OF THE WIND RESOURCE

As of June 2023, the average wind speed was 7.66 m/s, 22.6% higher than the previous year. One explanation for this is the end of the La Niña phenomenon (low winds) and the transition to the El Niño phenomenon (high winds) that are present during the first semester. There is a greater than 90% chance that El Niño will continue through the Northern Hemisphere winter.

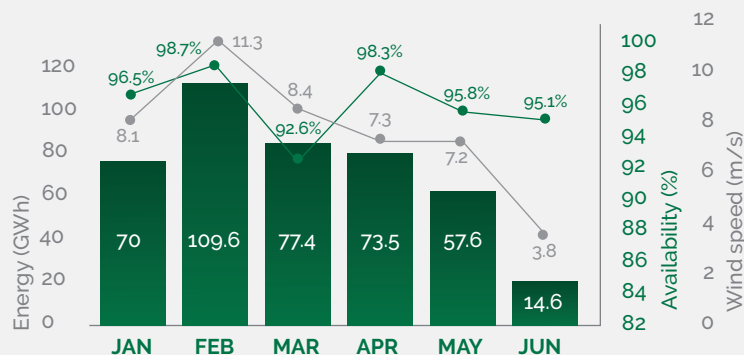


GENERATION, WIND SPEED AND AVAILABILITY Q2 2023

OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended June 30, 2023 was 96.2%, below the 98.7% availability of the same period of 2022, due to blade repairs during May and June.

Goldwind's availability has been 98.7%, above the guaranteed value until May. June report is still under review.



III. STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
Energy revenues	41,453	32,850
Costs of goods and services	(11,418)	(10,484)
Gross profit	30,034	22,366
Administrative expenses	(1,837)	(1,788)
Operating profit	28,198	20,578
Finance Cost, net	(7,948)	(1,569)
Other income	7	125
Profit before income tax	20,257	19,134
Income tax	(4,534)	(135)
Net income	15,723	19,000

(Thousands of US\$)

REVENUES

The Issuer's energy revenues for the period ended June 30, 2023, were US\$41.453 million, an increase of US\$8.602 million, or 26%, compared to the Issuer's energy revenues of US\$32.850 million for the same period in 2022. This variation was primarily attributable to energy sales to PPA due to higher generation (92.0 GWh) compared to the same period in 2022. The main reason for this variation is because of the climate changes in the first semester of 2023, from "La Niña" phenomenon to "Neutral" conditions and with higher chances of "El Niño", increasing wind resource.

COSTS OF GOODS AND SERVICES

The Issuer's costs of goods and services for the period ended June 30, 2023, were US\$ 11.418 million, an increase of US\$934 thousand, or 9%, as compared to the Issuer's costs of goods and services of US\$10.484 million for the period ended June 30, 2022. This increase was primarily attributable to:

- US\$574 thousand higher transmission costs due to changes in the tariff regulations.
- US\$447 thousand higher repairs and maintenance costs due to blade repairs.

Partially offset by:

- US\$97 thousand lower internal consumption.
- US\$6 thousand lower salaries and other benefits to employees.

ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the period ended June 30, 2023, were US\$ 1.837 million, an increase of US\$48 thousand, or 3%, as compared to the Issuer's administrative expenses of US\$1.788 million for the period ended June 30, 2022. This increase was primarily attributable to:

- US\$61 thousand higher wake effect compensation expenses due to the variations in the spot prices.

Partially offset by:

- US\$17 thousand lower regulator fees.

FINANCE COST, NET

The Issuer's total finance costs for the period ended June 30, 2023, were US\$7.948 million, an increase of US\$6.379 million, compared to the Issuer's total finance cost of US\$1.569 million for the period ended June 30, 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\$7.338 million).

INCOME TAX

The Issuer's income tax for the period ended June 30, 2023, was US\$4.534 million, compared to the Issuer's income tax of US\$135 thousand for the period ended June 30, 2022. This increase is attributable to a higher deferred tax of US\$3.306 million and US\$1.093 million higher current income tax.



IV. CASH FLOW STATEMENT

	2023	2022
Net cash provided by operating activities	33,576	28,190
Net cash used in provided by investing activities	771	1,012
Net cash used in financing activities	(12,412)	(12,381)
Net increase in cash and cash equivalents	21,936	16,821
Cash and cash equivalents at the end of the period	27,426	22,306

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the six months ended June 30, 2023 and 2022, the Issuer's net cash provided by operating activities was US\$33.576 million and US\$28.190 million. The main driver for this increase is mainly explained by US\$1.122 million increase in profit before income tax, US\$4.588 million higher inventory related to blades, US\$6.798 million higher account receivables; partially offset by US\$7.338 million lower fair value gain of the derivative financial instrument (interest SWAP), US\$5.717 million lower prepaid expenses and US\$3.564 million lower account payables.

INVESTING ACTIVITIES

For each of the six months ended June 30, 2023 and 2022, the Issuer's net cash provided by investing activities was US\$771 thousand and US\$1.012 million, respectively. The main variation corresponds to PP&E additions for US\$267 thousand partially offset by US\$27 thousand higher collection from Guarantor loan.

FINANCING ACTIVITIES

For each of the six months ended June 30, 2023 and 2022, the Issuer's net cash used in financing activities was US\$12.412 million and US\$12.381 million, respectively. The main variation corresponds to the Senior Bonds.

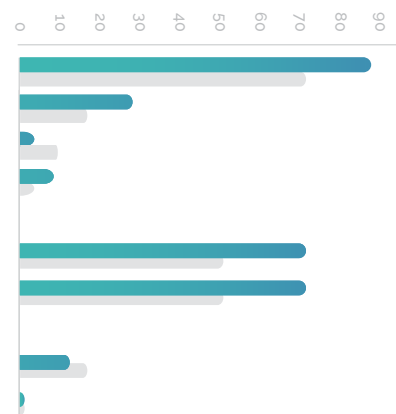
TECNISOL GROUP: THE GUARANTORS

I. OPERATIONAL HIGHLIGHTS

OPERATIONAL DATA

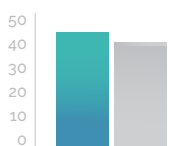
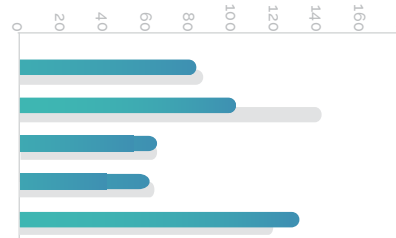
ENERGY BALANCE (GWh)

	2023	2022
Energy sales	87.0	72.0
Energy Purchase - UEPII	28.0	17.0
Energy Purchase - Hydro	4.3	10.0
Energy Purchase - Spot	9.6	4.5
Exports from MER	-	-
Sales through PPA	72.5	52.7
Large clientes	72.5	52.7
MERELEC	-	-
Sales through Spot	12.8	17.1
Compensation	1.6	2.2



PRICES (US\$/MWh)

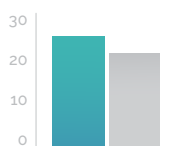
PPA avg sales price	84.7	87.8
Avg Spot Sales price	111.4	143.7
Avg Purchase price - UEPII	65.3	65.3
Avg Purchase price - Hydro	62.2	64.0
Avg Purchase price - Spot	132.8	120.2



Generation (GWh)

2023: 45.1

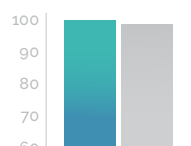
2022: 40.6



Plant Factor (%)

2023: 26%

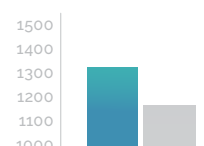
2022: 23.4%



Operational availability (%)

2023: 99.8%

2022: 98.7%



Solar resource (kWh/m2)

2023: 1,321

2022: 1,170

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, 2023, the Tecnisol Solar Project's energy generation was 45.1 GWh. The generation was

11.3% above the production of 40.6 GWh during the same period of the previous semester ended June 30, 2022.

The solar irradiation during this period was 1,321 kWh/m2, being 12.8% above the irradiation for the same period ended June 30, 2022.

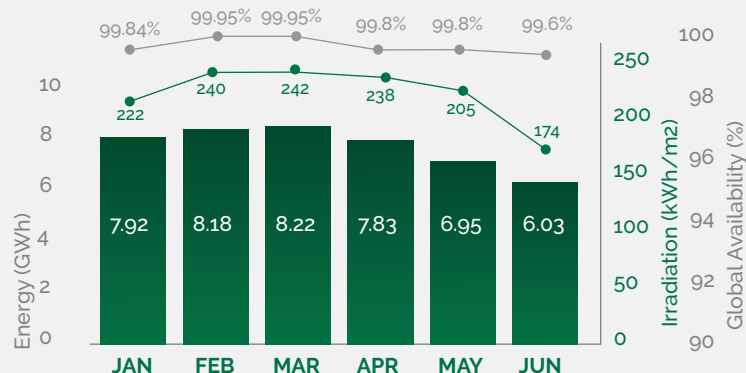
OPERATIONS AND AVAILABILITY

The O&M availability, measured in the inverters, for the Q2 ended June 30, 2023 was 99.8%.

The operational availability of the plant, including grid and other sources of unavailability, has been 99.8%, 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 98.7% in the same period ended June 30, 2022.

The Performance Ratio has been above the guaranteed values, an average of 83.2%. This value is lower than the 84.1% of the same period in 2022.

GENERATION, WIND SPEED AND AVAILABILITY Q2 2023



III. STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
Energy revenue	7,771	7,434
Costs of goods and services	(5,508)	(4,669)
Gross profit	2,263	2,765
Administrative expenses	(401)	(438)
Operating profit	1,862	2,326
Finance costs	(744)	(772)
Other income	-	12
Profit before income tax	1,118	1,565
Income tax	(324)	(439)
Net income	794	1,126

(Thousands of US\$)

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended June 30, 2023 were US\$7.771 million, an increase of US\$337 thousand, or 5%, compared to the Guarantors' combined energy revenues of US\$7.434 million for the period ended June 30, 2022. This increase was primarily attributable to higher sales to PPA due to the addition of new clients with 19.8 GWh more energy sold in the second quarter of 2023 compared to the same period in 2022.

COSTS OF GOODS AND SERVICES

The Guarantors' combined cost of goods and services for the period ended June 30, 2023 were US\$5.508 million, an increase of US\$839 thousand, compared to the Guarantors' combined cost of goods and services of US\$4.669 million for the period ended June 30, 2022. This increase is primarily attributable to:

- US\$448 thousand higher energy purchase from spot market.
- US\$350 thousand higher energy purchase from reserve contracts.
- US\$28 thousand higher transmission costs.

ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended June 30, 2023 were US\$401 thousand, a decrease of US\$37 thousand, compared to the Guarantors' combined administrative expenses of US\$438 thousand for the period ended June 30, 2022. This decrease is primarily attributable to:

- US\$18 thousand lower other expenses.
- US\$9 thousand lower regulator fees.
- US\$5 thousand lower professional services.

FINANCE COST

The Guarantors' combined finance cost for the period ended June 30, 2023 was US\$744 thousand, a decrease of US\$28 thousand, compared to the Guarantors' combined finance cost of US\$772 thousand for the period ended June 30, 2022.

INCOME TAX

The Guarantors' combined income tax for the period ended June 30, 2023 was US\$324 thousand, a decrease of US\$115 thousand, compared to the Guarantors' combined income tax of US\$439 thousand for the period ended June 30, 2022.



IV. CASH FLOW STATEMENT

	2023	2022
Net cash provided by operating activities	2,802	4,042
Net cash used in investing activities	(18)	(247)
Net cash used in financing activities	(1,170)	(1,123)
Net increase in cash and cash equivalents	1,614	2,672
Cash and cash equivalents at end of the period	2,888	4,946

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the six months ended June 30, 2023 and 2022, the Guarantors' combined net cash provided by operating activities was US\$2.802 million and US\$4.042 million, respectively. The negative variance refers to US\$448 lower profit before income tax, US\$911 thousand higher accounts receivables, US\$393 thousand higher prepaid expenses, US\$98 thousand higher income tax paid; partially offset by US\$645 thousand lower account payables.

INVESTING ACTIVITIES

For each of the six months ended June 30, 2023 and 2022, the Guarantors' combined net cash used in investing activities was US\$18 thousand and US\$247 thousand, respectively. The variation refers to an addition of PP&E.

FINANCING ACTIVITIES

For each of the six months ended June 30, 2023 and 2022, the Guarantors' combined net cash flows used in financing activities was US\$1.170 million and US\$1.123 million, respectively. The variation mainly refers to the payment of the intercompany loan.



THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
JUNE 30, 2023

	As of June 30, 2023	As of December 31, 2022	(Thousands of US\$)
THE ISSUER'S BALANCE SHEET			
Current assets			
Cash and cash equivalents	27,426	5,490	
Trade and other receivables	8,431	6,989	
Current portion of related debt receivable	1,065	997	
Prepaid expenses	907	5,006	
Inventory	43	41	
Blades project inventory	4,582	-	
Total current assets	42,454	18,523	
Non-current assets			
Long-term portion of related debt receivable	20,049	20,483	
Plant and equipment, net	196,163	202,849	
Intangible assets, net	112	105	
Goodwill	20,000	20,000	
Total non-current assets	236,323	243,437	
Total assets	278,777	261,960	
Liabilities and Equity			
Current liabilities			
Current portion of bonds payable	15,880	15,240	
Trade and other payables	1,954	1,286	
Lease liabilities	98	192	
Income tax payables	2,619	-	
Total current liabilities	20,550	16,718	
Non-current liabilities			
Lease liabilities	8,040	8,040	
Deferred income tax	2,520	605	
Provisions	361	348	
Long-term portion of bonds payable	219,516	224,182	
Total non-current liabilities	230,437	233,175	
Total liabilities	250,987	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	(28,052)	(43,775)	
Prepaid dividend tax	(134)	(134)	
Total equity	27,790	12,067	
Total liabilities and equity	278,777	261,960	

THE ISSUER'S INCOME STATEMENT

	As of June 30, 2023	As of June 30, 2022	(Thousands of US\$)
Energy revenues	41,453	32,850	
Costs of goods and services	(11,418)	(10,484)	
Gross profit	30,034	22,366	
Administrative expenses	(1,837)	(1,788)	
Operating profit	28,198	20,578	
Finance Cost, net	(7,948)	(1,569)	
Other income	7	125	
Profit before income tax	20,257	19,134	
Income tax	(4,534)	(135)	
Net income	15,723	19,000	

THE ISSUER'S CASH FLOW

	As of June 30, 2023	As of June 30, 2022	(Thousands of US\$)
Cash flows from operating activities			
Profit before income tax	20,257	19,134	
Adjustments to reconcile profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	6,972	6,956	
Finance cost amortization	234	245	
Interest on borrowings and lease liabilities, net	8,057	9,062	
Interest income	(686)	(716)	
Fair value (gain) on derivative financial instrument	-	(7,338)	
Net changes in assets and liabilities:			
Trade and other receivables	(1,453)	5,345	
Trade and other payables	681	(2,883)	
Prepaid expenses	4,098	(1,618)	
Inventory	(2)	3	
Blades project inventory	(4,582)	-	
Net cash provided by operating activities	33,576	28,190	
Cash flows from investing activities			
Additions of plant and equipment	(275)	(10)	
Additions of intangible assets	(17)	(15)	
Loan receivable Intercompany collection	366	309	
Interest received - Intercompany	698	727	
Net cash provided by investing activities	771	1,012	
Cash flows from financing activities			
Payment of issued bonds	(4,129)	(3,492)	
Interest paid	(8,189)	(8,525)	
Payment on derivative financial instrument	-	(287)	
Principal lease payments	(94)	(77)	
Net cash used in financing activities	(12,412)	(12,381)	
Net increase in cash and cash equivalents	21,936	16,821	
Cash and cash equivalents at the beginning of year	5,490	5,486	
Cash and cash equivalents at the end of the period	27,426	22,306	

THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
JUNE 30, 2023

	As of June 30, 2023	As of December 31, 2022	(Thousands of US\$)
THE GUARANTOR'S COMBINED BALANCE SHEET			
Current assets			
Cash and cash equivalents	2,888	1,274	
Trade and other receivables	2,120	1,862	
Prepaid expenses and other assets	261	210	
Inventory	22	14	
Total current assets	5,291	3,359	
Non-current assets			
Plant and equipment, net	31,611	33,058	
Intangible assets, net	212	217	
Other receivable	40	38	
Deferred income tax	54	46	
Total non-current assets	31,917	33,359	
Total assets	37,208	36,718	
Liabilities and Equity			
Current liabilities			
Lease liabilities	15	29	
Related party loan	1,407	1,350	
Income tax payable	139	337	
Trade and other payables	1,813	1,469	
Total current liabilities	3,374	3,186	
Non-current liabilities			
Lease liabilities	1,165	1,165	
Provisions	319	307	
Related party loan	20,049	20,483	
Total non-current liabilities	21,533	21,955	
Total liabilities	24,907	25,141	
Equity			
Parent company investment	40	40	
Capital Contribution	12,212	12,212	
Retained earnings (accumulated deficit)	236	(558)	
Prepaid dividend tax	(187)	(118)	
Total equity	12,301	11,577	
Total liabilities and equity	37,208	36,718	

**THE GUARANTOR'S COMBINED
INCOME STATEMENT**

	As of June 30, 2023	As of June 30, 2022	(Thousands of US\$)
Energy revenue	7,771	7,434	
Costs of goods and services	(5,508)	(4,669)	
Gross profit	2,263	2,765	
Administrative expenses	(401)	(438)	
Operating profit	1,862	2,326	
Finance costs	(744)	(772)	
Other income	-	12	
Profit before income tax	1,118	1,565	
Income tax	(324)	(439)	
Net income	794	1,126	

**THE GUARANTOR'S COMBINED
CASH FLOW**

	As of June 30, 2023	As of June 30, 2022	(Thousands of US\$)
Cash flows from operating activities			
Income before income tax	1,118	1,565	
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation and amortization	1,470	1,456	
Interest on borrowings and lease liabilities, net	709	762	
Changes in assets and liabilities:			
Trade and other receivables	(268)	643	
Trade and other payables	343	(301)	
Prepaid expenses and other assets	(236)	158	
Inventory	(8)	(1)	
Provisions and other liabilities	12	-	
Income tax paid	(337)	(240)	
Net cash provided by operating activities	2,802	4,042	
Cash flows from investing activities			
Additions of plant and equipment	(18)	(247)	
Net cash used in investing activities	(18)	(247)	
Cash flows from financing activities			
Payment of loan payable - Intercompany	(366)	(309)	
Interest paid - Intercompany	(698)	(727)	
Prepaid dividend tax	(69)	(29)	
Principal lease payments	(37)	(57)	
Net cash used in financing activities	(1,170)	(1,123)	
Net increase in cash and cash equivalents	1,614	2,672	
Cash and cash equivalents at the beginning of the year	1,274	2,274	
Cash and cash equivalents at end of the period	2,888	4,946	



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and TecniSol Group

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