



UEP Penonomé II, S.A.
and Tecnisol Group

Q3-2023

MANAGEMENT DISCUSSION AND ANALYSIS

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

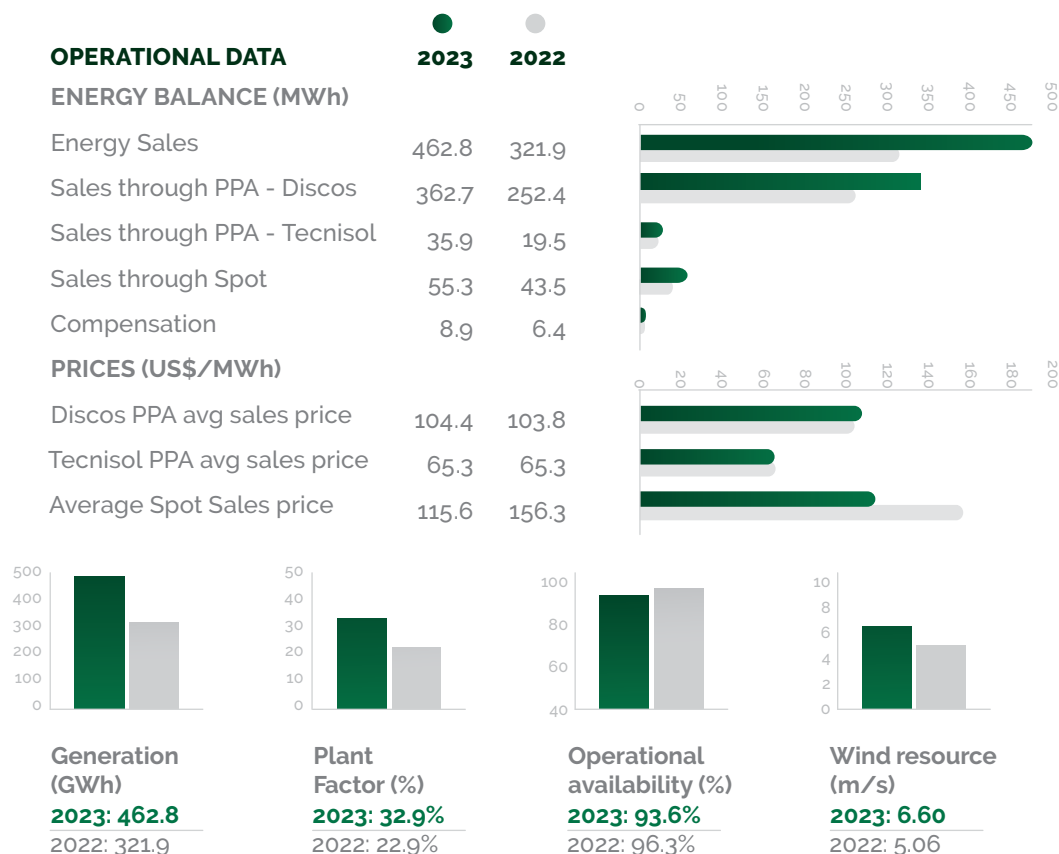
Under Section 5.04, the Issuer and the Guarantors shall provide within 60 days of the end of the first three Fiscal Quarters of each Fiscal Year of the Issuer unaudited consolidated quarterly financial statements of the Issuer and the Guarantors (including a balance sheet, statement of comprehensive 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 to September low wind season months. During the first nine months ended September 30, 2023 our UEP II Wind Project production was 462.8 GWh, 43.8% above the 321.9 GWh generated during the same period of the previous year ended September 30, 2022.

ANALYSIS OF THE WIND RESOURCE

As of September 2023, the average wind speed was 6.6 m/s, 30.4% higher than the previous year ended September 30, 2022.

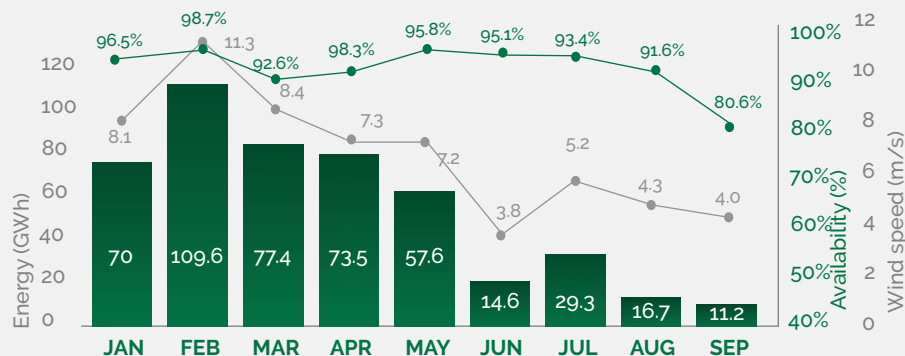
One explanation for this is the end of the La Niña phenomenon (low winds) and the transition to the El Niño phenomenon (high winds). El Niño is expected to continue through the northern hemisphere spring (with 80% probability during March-May 2024).

OPERATIONS AND AVAILABILITY

The Operational Availability for the period ended September 30, 2023 was 93.6%, a 2.8% below 96.3% availability of the same period of 2022. The difference is caused mainly by the blades reparations to follow the Blades Strategy Plan.

Goldwind's availability has been 98.9% up to date (missing data for September, still under revision), above the guaranteed value.

GENERATION, WIND SPEED AND AVAILABILITY Q1, Q2 AND Q3 2023



III. STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
Energy revenues	47,498	34,992
Costs of goods and services	(17,784)	(15,902)
Gross profit	29,714	19,090
Administrative expenses	(2,648)	(2,537)
Operating profit	27,066	16,553
Finance Cost, net	(11,934)	(5,772)
Other income	7	130
Profit before income tax	15,139	10,911
Income tax	(3,289)	696
Net income	11,849	11,607

(Thousands of US\$)

REVENUES

The Issuer's energy revenues for the period ended September 30, 2023, were US\$47.498 million, an increase of US\$12.506 million, or 36%, compared to the Issuer's energy revenues of US\$34.992 million for the same period in 2022. This variation was primarily attributable to energy sales to PPA due to higher generation (126.6 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 September 30, 2023, were US\$ 17,784 million, an increase of US\$1.882 million, or 12%, as compared to the Issuer's costs of goods and services of US\$15.902 million for the period ended September 30, 2022. This increase was primarily attributable to:

- US\$1.178 million higher transmission costs due to changes in the tariff regulations.
- US\$706 thousand higher repairs and maintenance costs due to blade repairs.
- US\$23 thousand higher salaries and other benefits to employees.

Partially offset by:

- US\$47 thousand lower internal consumption.

ADMINISTRATIVE EXPENSES

The Issuer's administrative expenses for the period ended September 30, 2023, were US\$ 2.648 million, an increase of US\$111 thousand, or 4%, as compared to the Issuer's administrative expenses of US\$2.537 million for the period ended September 30, 2022. This increase was primarily attributable to:

- US\$164 thousand higher wake effect compensation expenses due to the variations in the spot prices.

Partially offset by:

- US\$25 thousand lower regulator fees.
- US\$17 thousand lower professional services.

FINANCE COST, NET

The Issuer's total finance costs for the period ended September 30, 2023, were US\$11.934 million, an increase of US\$6.162 million, compared to the Issuer's total finance cost of US\$5.772 million for the period ended September 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 September 30, 2023, was US\$3.289 million, compared to the Issuer's income tax of US\$696 thousand for the period ended September 30, 2022. This increase is attributable to a higher deferred tax of US\$2.495 million and US\$1.491 million higher current income tax.



IV. CASH FLOW STATEMENT

	2023	2022
Net cash provided by operating activities	40,122	29,018
Net cash used in provided by investing activities	2,010	2,321
Net cash used in financing activities	(27,487)	(28,403)
Net increase in cash and cash equivalents	14,644	2,935
Cash and cash equivalents at the end of the period	20,134	8,421

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the nine months ended September 30, 2023 and 2022, the Issuer's net cash provided by operating activities was US\$40.122 million and US\$29.018 million. The main driver for this increase is mainly explained by US\$4.228 million increase in profit before income tax, US\$4.622 million higher inventory related to blades, US\$2.408 million higher account receivables; partially offset by US\$7.338 million lower fair value gain of the derivative financial instrument (interest SWAP), US\$6.057 million lower prepaid expenses and US\$1.655 million lower account payables.

INVESTING ACTIVITIES

For each of the nine months ended September 30, 2023 and 2022, the Issuer's net cash provided by investing activities was US\$2.010 million and US\$2.321 million, respectively. The main variation corresponds to PP&E additions for US\$349 thousand partially offset by US\$38 thousand higher collection from Guarantor loan.

FINANCING ACTIVITIES

For each of the nine months ended September 30, 2023 and 2022, the Issuer's net cash used in financing activities was US\$27.487 million and US\$28.403 million, respectively. The main variation corresponds to the Senior Bonds.



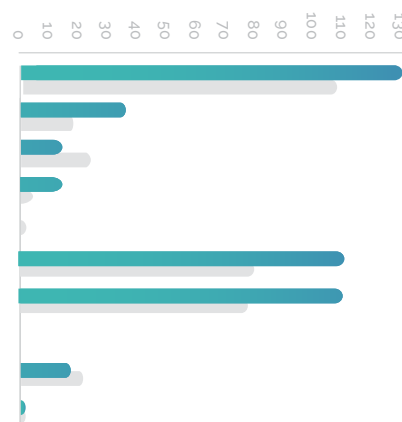
TECNISOL GROUP: THE GUARANTORS

I. OPERATIONAL HIGHLIGHTS

OPERATIONAL DATA

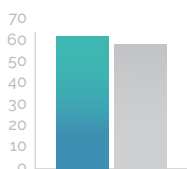
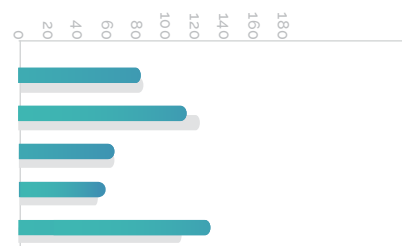
ENERGY BALANCE (GWh)

	2023	2022
Energy sales	129.3	107.0
Energy Purchase - UEPII	35.9	19.5
Energy Purchase - Hydro	15.5	25.2
Energy Purchase - Spot	15.8	5.3
Exports from MER	-	0.9
Sales through PPA	110.6	80.5
Large clientes	110.6	79.6
MERELEC	-	0.9
Sales through Spot	16.0	22.4
Compensation	2.6	4.1



PRICES (US\$/MWh)

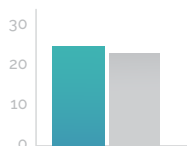
PPA avg sales price	84.7	87.2
Avg Spot Sales price	114.9	122.8
Avg Purchase price - UEPII	65.3	65.3
Avg Purchase price - Hydro	60.9	59.8
Avg Purchase price - Spot	134.8	111.9



Generation (GWh)

2023: 62.1

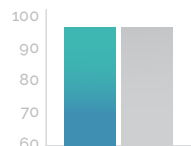
2022: 56.8



Plant Factor (%)

2023: 23.8%

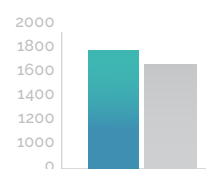
2022: 21.7%



Operational availability (%)

2023: 98.7%

2022: 98.7%



Solar resource (kWh/m2)

2023: 1,798

2022: 1,638

II. MANAGEMENT DISCUSSION AND ANALYSIS OF MAIN VARIANCES

GENERATION

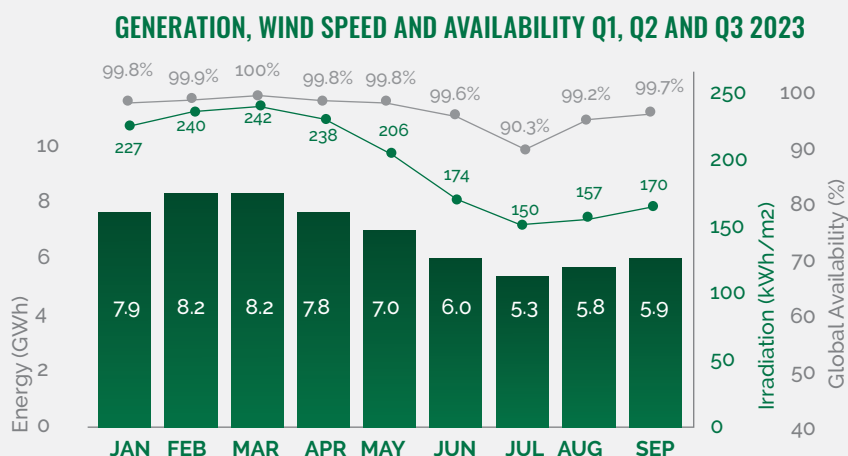
The amount of electricity produced by our Tecnisol Solar Project is highly dependent on the amount of solar irradiation received by the assets. During the first nine months ended September 30, 2023, the Tecnisol Solar Project's energy generation was 62.1

GWh. The generation has been 9.3% above the production in the same period ended September 30, 2022, of 56.8 GWh.

The solar irradiation during this period was 1,798 kWh/m2, being 9.8% above the irradiation for the same period ended September 30, 2022.

OPERATIONS AND AVAILABILITY

The O&M availability, measured in the inverters, for the first nine months ended September 30, 2023 was 99.8%. The operational 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 operational availability has been the same value of 98.7% in the same period ended September 30, 2022.



The Performance Ratio year to date has been above the guaranteed value, an average of 83.0%. This value is lower than the 84.2% of the same period in 2022.

III. STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
Energy revenue	11,457	10,271
Costs of goods and services	(8,687)	(6,825)
Gross profit	2,770	3,446
Administrative expenses	(596)	(598)
Operating profit	2,174	2,848
Finance costs	(1,118)	(1,182)
Other income	46	12
Profit before income tax	1,102	1,678
Income tax	(361)	(501)
Net income	740	1,176

(Thousands of US\$)

ENERGY REVENUES

The Guarantors' combined energy revenues for the period ended September 30, 2023 were US\$11.457 million, an increase of US\$1.186 million, or 12%, compared to the Guarantors' combined energy revenues of US\$10.271 million for the period ended September 30, 2022. This increase was primarily attributable to higher sales to PPA due to the addition of new clients, with 30.1 GWh more energy sold in the third 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 September 30, 2023 were US\$8.687 million, an increase of US\$1.862 million, compared to the Guarantors' combined cost of goods and services of US\$6.825 million for the period ended September 30, 2022. This increase is primarily attributable to:
- US\$1.228 million higher energy purchase from spot market.
 - US\$512 thousand higher energy purchase from reserve contracts.
 - US\$59 thousand higher transmission costs.
 - US\$44 thousand higher repairs and maintenance costs.
 - US\$26 thousand higher salaries and other benefits.
- Partially offset by:
- US\$18 thousand lower security services expenses.

ADMINISTRATIVE EXPENSES

The Guarantors' combined administrative expenses for the period ended September 30, 2023 were US\$596 thousand, a decrease of US\$2 thousand, compared to the Guarantors' combined administrative expenses of US\$598 thousand for the period ended September 30, 2022. This decrease is primarily attributable to:

- US\$21 thousand lower other expenses.
- US\$15 thousand lower regulator fees.

Partially offset by:

- US\$22 thousand higher professional services.
- US\$10 thousand higher insurance.

FINANCE COST

The Guarantors' combined finance cost for the period ended September 30, 2023 was US\$1.118 million, a decrease of US\$64 thousand, compared to the Guarantors' combined finance cost of US\$1.182 million for the period ended September 30, 2022.

INCOME TAX

The Guarantors' combined income tax for the period ended September 30, 2023 was US\$361 thousand, a decrease of US\$140 thousand, compared to the Guarantors' combined income tax of US\$501 thousand for the period ended September 30, 2022.



IV. CASH FLOW STATEMENT

	2023	2022
Net cash provided by operating activities	4,014	5,416
Net cash used in investing activities	(55)	(265)
Net cash used in financing activities	(2,539)	(2,458)
Net increase in cash and cash equivalents	1,419	2,693
Cash and cash equivalents at end of the period	2,694	4,968

(Thousands of US\$)

LIQUIDITY

OPERATING ACTIVITIES

For each of the nine months ended September 30, 2023 and 2022, the Guarantors' combined net cash provided by operating activities was US\$4.014 million and US\$5.416 million, respectively. The negative variance refers to US\$576 lower profit before income tax, US\$1.407 million higher accounts receivables, US\$740 thousand higher prepaid expenses, US\$98 thousand higher income tax paid; partially offset by US\$1.456 million lower account payables.

INVESTING ACTIVITIES

For each of the nine months ended September 30, 2023 and 2022, the Guarantors' combined net cash used in investing activities was US\$55 thousand and US\$265 thousand, respectively. The variation refers to lower additions of PP&E.

FINANCING ACTIVITIES

For each of the nine months ended September 30, 2023 and 2022, the Guarantors' combined net cash flows used in financing activities was US\$2.539 million and US\$2.458 million, respectively. The variation mainly refers to the payment of the intercompany loan.



THE ISSUER'S UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
SEPTEMBER 30, 2023

	As of September 30, 2023	As of December 31, 2022	(Thousands of US\$)
THE ISSUER'S BALANCE SHEET			
Current assets			
Cash and cash equivalents	20,134	5,490	
Trade and other receivables	3,380	6,989	
Current portion of related debt receivable	1,138	997	
Prepaid expenses	558	5,006	
Inventory	55	41	
Blades project inventory	4,622	-	
Total current assets	29,886	18,523	
Non-current assets			
Long-term portion of related debt receivable	19,345	20,483	
Plant and equipment, net	192,761	202,849	
Intangible assets, net	106	105	
Goodwill	20,000	20,000	
Total non-current assets	232,212	243,437	
Total assets	262,098	261,960	
Liabilities and Equity			
Current liabilities			
Current portion of bonds payable	12,849	15,240	
Trade and other payables	1,285	1,286	
Lease liabilities	49	192	
Income tax payables	1,593	-	
Total current liabilities	15,777	16,718	
Non-current liabilities			
Lease liabilities	8,040	8,040	
Deferred income tax	2,302	605	
Provisions	367	348	
Long-term portion of bonds payable	211,696	224,182	
Total non-current liabilities	222,406	233,175	
Total liabilities	238,182	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	(31,925)	(43,775)	
Prepaid dividend tax	(134)	(134)	
Total equity	23,916	12,067	
Total liabilities and equity	262,098	261,960	

THE ISSUER'S INCOME STATEMENT

As of
September 30,
2023

As of
September 30,
2022

(Thousands
of US\$)

Energy revenues	47,498	34,992
Costs of goods and services	(17,784)	(15,902)
Gross profit	29,714	19,090
Administrative expenses	(2,648)	(2,537)
Operating profit	27,066	16,553
Finance Cost, net	(11,934)	(5,772)
Other income	7	130
Profit before income tax	15,139	10,911
Income tax	(3,289)	696
Net income	11,849	11,607

THE ISSUER'S CASH FLOW

	As of September 30, 2023	As of September 30, 2022	(Thousands of US\$)
Cash flows from operating activities			
Profit before income tax	15,139	10,911	
Adjustments to reconcile profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	10,459	10,438	
Finance cost amortization	363	379	
Interest on borrowings and lease liabilities, net	12,105	13,289	
Interest income	(1,031)	(1,077)	
Fair value (gain) on derivative financial instrument	-	(7,338)	
Net changes in assets and liabilities:			
Trade and other receivables	3,257	5,664	
Trade and other payables	19	(1,636)	
Prepaid expenses	4,448	(1,609)	
Inventory	(14)	(3)	
Blades project inventory	(4,622)	-	
Net cash provided by operating activities	40,122	29,018	
Cash flows from investing activities			
Additions of plant and equipment	(355)	(8)	
Additions of intangible assets	(17)	(15)	
Loan receivable Intercompany collection	997	899	
Interest received - Intercompany	1,384	1,445	
Net cash provided by investing activities	2,010	2,321	
Cash flows from financing activities			
Payment of issued bonds	(11,256)	(10,149)	
Interest paid	(16,089)	(17,850)	
Payment on derivative financial instrument	-	(287)	
Principal lease payments	(143)	(0)	
Net cash used in financing activities	(27,487)	(28,403)	
Net increase in cash and cash equivalents	14,644	2,935	
Cash and cash equivalents at the beginning of year	5,490	5,486	
Cash and cash equivalents at the end of the period	20,134	8,421	

THE GUARANTOR'S COMBINED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
SEPTEMBER 30, 2023

	As of September 30, 2023	As of September 31, 2022	(Thousands of US\$)
THE GUARANTOR'S COMBINED BALANCE SHEET			
Current assets			
Cash and cash equivalents	2,694	1,274	
Trade and other receivables	2,425	1,862	
Prepaid expenses and other assets	826	210	
Inventory	52	14	
Total current assets	5,997	3,359	
Non-current assets			
Plant and equipment, net	30,913	33,058	
Intangible assets, net	209	217	
Other receivable	38	38	
Deferred income tax	58	46	
Total non-current assets	31,217	33,359	
Total assets	37,214	36,718	
Liabilities and Equity			
Current liabilities			
Lease liabilities	7	29	
Related party loan	1,138	1,350	
Income tax payable	373	337	
Trade and other payables	2,613	1,469	
Total current liabilities	4,132	3,186	
Non-current liabilities			
Lease liabilities	1,165	1,165	
Provisions	324	307	
Related party loan	19,345	20,483	
Total non-current liabilities	20,835	21,955	
Total liabilities	24,967	25,141	
Equity			
Parent company investment	40	40	
Capital Contribution	12,212	12,212	
Retained earnings (accumulated deficit)	182	(558)	
Prepaid dividend tax	(187)	(118)	
Total equity	12,248	11,577	
Total liabilities and equity	37,214	36,718	

**THE GUARANTOR'S COMBINED
INCOME STATEMENT**

	As of September 30, 2023	As of September 30, 2022	(Thousands of US\$)
Energy revenue	11,457	10,271	
Costs of goods and services	(8,687)	(6,825)	
Gross profit	2,770	3,446	
Administrative expenses	(596)	(598)	
Operating profit	2,174	2,848	
Finance costs	(1,118)	(1,182)	
Other income	46	12	
Profit before income tax	1,102	1,678	
Income tax	(361)	(501)	
Net income	740	1,176	

**THE GUARANTOR'S COMBINED
CASH FLOW**

	As of September 30, 2023	As of September 30, 2022	(Thousands of US\$)
Cash flows from operating activities			
Income before income tax	1,102	1,678	
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation and amortization	2,208	2,179	
Interest on borrowings and lease liabilities, net	1,098	1,145	
Changes in assets and liabilities:			
Trade and other receivables	(575)	832	
Trade and other payables	1,156	(300)	
Prepaid expenses and other assets	(616)	124	
Inventory	(39)	(1)	
Provisions and other liabilities	17	-	
Income tax paid	(337)	(240)	
Net cash provided by operating activities	4,014	5,416	
Cash flows from investing activities			
Additions of plant and equipment	(55)	(265)	
Net cash used in investing activities	(55)	(265)	
Cash flows from financing activities			
Payment of loan payable - Intercompany	(997)	(899)	
Interest paid - Intercompany	(1,384)	(1,445)	
Prepaid dividend tax	(69)	(29)	
Principal lease payments	(89)	(86)	
Net cash used in financing activities	(2,539)	(2,458)	
Net increase in cash and cash equivalents	1,419	2,693	
Cash and cash equivalents at the beginning of the year	1,274	2,274	
Cash and cash equivalents at end of the period	2,694	4,968	



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and Tecnisol Group

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