

# POLARIS

## POLARIS INFRASTRUCTURE ANNOUNCES Q4 2020 RESULTS

TORONTO, ON (March 4, 2021) – Polaris Infrastructure Inc. (TSX: PIF) (“Polaris Infrastructure” or the “Company”), a Toronto-based company engaged in the operation, acquisition and development of renewable energy projects in Latin America, is pleased to report its financial and operating results for the three-month period and year ended December 31, 2020. This earnings release should be read in conjunction with Polaris Infrastructure’s Consolidated Financial Statements and Management’s Discussion and Analysis, which are available on the Company’s website at [www.polarisinfrastructure.com](http://www.polarisinfrastructure.com) and have been posted on SEDAR at [www.sedar.com](http://www.sedar.com). The dollar figures below are denominated in US Dollars unless noted otherwise.

### HIGHLIGHTS

- Record level of consolidated energy production of 662,893 MWh (net) during the year ended December 31, 2020, of which 511,702 MWh (net) was by the San Jacinto facility (“San Jacinto”), the Company’s geothermal facility in Nicaragua and 151,191 MWh (net) was contributed by the Canchayllo facility (“Canchayllo”), the El Carmen facility (“El Carmen”) and the 8 de Agosto facility (“8 de Agosto”), the Company’s hydroelectric facilities in Peru. This represents an increase of 16% over 2019, mainly as a result of two hydroelectric facilities being commissioned for operation in late 2019.
- The Company generated \$74.7 million in revenue from energy sales for the year ended December 31, 2020, approximately 5% higher compared to the same period in 2019.
- Net earnings attributable to owners of \$28.8 million or \$1.84 per share – basic for the year ended December 31, 2020, compared to \$14.5 million in 2019. Net earnings were positively impacted by a non-cash unrealized write-up (impairment reversal) of \$24.5 million recognized in the current year in respect of San Jacinto, compared to the Casita non-cash unrealized impairment charge of \$11.6 million in 2019. Adjusted EBITDA<sup>(1)</sup> of \$58.7 million for the year ended December 31, 2020, comparable to Adjusted EBITDA<sup>(1)</sup> of \$58.7 million in 2019.
- During the year ended December 31, 2020, the Company generated \$40.3 million in net cash flow from operating activities and \$48.4 million in operating cash flow<sup>(2)</sup>. The Company finished the year ended December 31, 2020 with a strong cash position of \$60.1 million.
- Successful renegotiation and extension of the Power Purchase Agreement at San Jacinto, Nicaragua. The new agreement extends the term for an additional 10 years and the tax holiday for an additional 2 years, includes a contractual confirmation to include the expected binary unit’s production of up to 10MW, and eliminates the previous minimum-production price penalty.
- The Company remains focused on maintaining a quarterly dividend. For the year ended December 31, 2020, the Company declared and paid \$9.4 million in dividends and paid the twentieth consecutive quarterly dividend of \$0.15 per outstanding common share on February 26, 2021.
- Enhanced Environmental, Social and Governance (“ESG”) strategies, policies and disclosures while continuing to maintain an excellent health and safety record. Readers are encouraged to refer to the Company’s first ESG annual report for additional details, available on the Company’s website.

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- Despite the unprecedented challenges faced as a result of the Covid-19 global pandemic (“COVID-19”), the Company maintained full availability of all its facilities during government-imposed restrictions and experienced no cases of COVID-19 amongst its operating staff. Safety protocols and local requirements continue to be enforced as the Company’s Nicaragua and Peru facilities remained in operation and continue to operate to date.
- On February 25, 2021, the Company completed an upsized bought deal offering (the “Offering”), under which a total of 2,556,450 Common Shares were sold at a price of \$20.25 CAD per Common Share for aggregate gross proceeds to the Company of \$51.8 Million CAD. The capital strengthens the Company’s balance sheet and provides additional capital as the Company continues to execute on its growth plan and maintain strong growth momentum. Additionally, the net proceeds of the Offering will be used for working capital and general corporate purposes.

## OPERATING AND FINANCIAL OVERVIEW

The financial results of Polaris Infrastructure for the three-month period and year ended December 31, 2020 and 2019 are summarized below:

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<i>(all \$ figures in thousands except loss per share)</i>				
<b>Energy production</b>				
Consolidated Power (MWh) net	171,933	144,761	662,893	570,934
Consolidated Power, average (MW) net	77.87	77.37	77.54	79.59
<b>Financials</b>				
Revenue	\$ 18,471	\$ 17,795	\$ 74,720	\$ 71,251
Net earnings attributable to owners	24,230	13,556	28,842	14,496
Adjusted EBITDA <sup>(i)</sup>	13,574	14,130	58,687	58,719
Net cash flow from operating activities	10,172	15,423	40,312	44,095
Operating cash flow <sup>(ii)</sup>	11,585	11,309	48,383	44,847
<b>Balance Sheet</b>				
			As at December 31, 2020	As at December 31, 2019
Cash			60,058	32,597
Restricted cash			1,785	5,941
Total current assets			80,344	48,682
Total assets			491,118	463,744
Current and Long-term debt <sup>(iii)</sup>			189,295	183,671
Total liabilities			264,349	256,518
Working Capital <sup>(iii)</sup>			45,303	13,635
<b>Per share</b>				
Net earnings attributable to owners - basic	\$ 1.54	\$ 0.86	\$ 1.84	\$ 0.92
Operating cash flow <sup>(i)</sup>	\$ 0.74	\$ 0.72	\$ 3.08	\$ 2.86

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- (i) *A Non-GAAP measure used by the Company. Refer to Section 11: Non-GAAP Performance Measures in this MD&A for a cautionary note regarding their use, descriptions, and reconciliations to the most directly comparable IFRS measure.*
- (ii) *Net of transaction costs.*
- (iii) *Working capital is the excess of current assets over current liabilities including the current portion of debt.*

During the three months ended December 31, 2020, power production increased 19% from the same period in 2019, due to the increase in production from the Canchayllo facility coupled with additional production from the two Generación Andina facilities, partly offset by a decrease in production from San Jacinto due to the cycling effects of certain wells.

During the twelve months ended December 31, 2020, the Company produced 16% more energy, compared to the same period in 2019, mainly due to additional production from Peru including the first annual production of 8 de Agosto and El Carmen facilities. Higher production was partly offset by lower production from San Jacinto due to a combined effect of cyclical behavior in certain wells that have been off-line more often during this period and lower steam production given the expected natural decline of the field.

During 2020 and consistent with its strategy, the Company enhanced its ESG strategies and policies while continuing to maintain an excellent health and safety record. In 2020, a total of approximately \$114.5 thousand was invested in the local community in both Nicaragua and Peru. This was lower than the \$198.0 thousand spent in 2019 due to COVID-19 related restrictions. Funds allocated for 2021 are comparable to those in 2020 and may be higher depending on the continuation of restrictions. The Company reported a consolidated OSHA Injury Rate<sup>(2)</sup> of 1.63, compared to 2.62 in 2019.

“Polaris delivered another strong year of results and cash flow generation. The recent developments such as the renewed contract at San Jacinto, the fact that all the plants in Peru are fully operational and the recent equity offering, set the stage for the Company to continue to deliver operationally and execute on its plan to grow and diversify.” noted *Marc Murnaghan*, Chief Executive Officer of Polaris Infrastructure.

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- (1) *A Non-GAAP measure used by the Company. A cautionary note regarding non-GAAP performance measures and their respective reconciliations is included in Section 11: Non-GAAP Performance Measures in the Company's MD&A for the year ended December 31, 2020. A cautionary note regarding non-GAAP performance measures is included in the 'Non-GAAP Performance Measures' section below.*
  - (2) *Occupational Safety and Health Administration (OSHA) TRIR or Injure Rate: (Number of OSHA Recordable injuries and illnesses X 200,000) / Employee total hours worked = Total Case Incident Rate.*

## About Polaris Infrastructure

Polaris Infrastructure is a Toronto-based company engaged in the operation, acquisition and development of renewable energy projects in Latin America. Currently, the Company operates a 72 MW average (net) geothermal project located in Nicaragua and three run-of-river hydroelectric facilities in Peru, with approximately 20 MW average (net), 8 MW average (net), and 5 MW average (net) of capacity.

### Investor Relations

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## Cautionary Statements

This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws, which may include, but is not limited to, financial and other projections as well as statements with respect to future events or future performance, management’s expectations regarding the Company’s growth, results of operations, business prospects and opportunities, and the effects of the COVID-19 pandemic. In addition, statements relating to estimates of recoverable energy “resources” or energy generation capacities are forward-looking information, as they involve implied assessment, based on certain estimates and assumptions, that electricity can be profitably generated from the described resources in the future. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “estimates”, “goals”, “intends”, “targets”, “aims”, “likely”, “typically”, “potential”, “probable”, “projects”, “continue”, “strategy”, “proposed”, or “believes” or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved.

A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, among others: failure to discover and establish economically recoverable and sustainable resources through exploration and development programs; imprecise estimation of probability simulations prepared to predict prospective resources or energy generation capacities; variations in project parameters and production rates; defects and adverse claims in the title to the Company’s properties; failure to obtain or maintain necessary licenses, permits and approvals from government authorities; the impact of changes in foreign currency exchange and interest rates; changes in government regulations and policies, including laws governing development, production, taxes, labour standards and occupational health, safety, toxic substances, resource exploitation and other matters; availability of government initiatives to support renewable energy generation; increase in industry competition; fluctuations in the market price of energy; impact of significant capital cost increases; unexpected or challenging geological conditions; changes to regulatory requirements, both regionally and internationally, governing development, geothermal or hydroelectric resources, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, project safety and other matters; economic, social and political risks arising from potential inability of end-users to support the Company’s properties; insufficient insurance coverage; inability to obtain equity or debt financing; fluctuations in the market price of Shares and Warrants; impact of issuance of additional equity securities on the trading price of Shares and Warrants; inability to retain key personnel; the risk of volatility in global financial conditions, as well as a significant decline in general economic conditions; uncertainty of political stability in countries in which the Company operates; uncertainty of the ability of Nicaragua and Peru to sell power to neighbouring countries; economic insecurity in Nicaragua and Peru; and other development and operating risks, as well as those factors discussed in the section entitled “Risks and Uncertainties” in this news release. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors are not intended to represent a complete list of the risk factors that could affect us. These factors should be carefully considered, and readers of this news release should not place undue reliance on forward-looking information.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is provided as at the date of this news release and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or

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results or otherwise, except as required by applicable laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty therein.

Additional information about the Company, including the Company's AIF for the year ended December 31, 2020 is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.polarisinfrastructure.com](http://www.polarisinfrastructure.com).

## **Non-GAAP Performance Measures**

Certain measures in this MD&A do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are not considered generally accepted accounting principles ("GAAP") measures. Where non-GAAP measures or terms are used, definitions are provided. In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

This news release includes references to the Company's adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), adjusted EBITDA per share, cash flow from operations and cash flow from operations per share which are non-GAAP measures. These measures should not be considered in isolation or as an alternative to net earnings (loss) attributable to the owners of the Company, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Polaris Infrastructure's results since the Company believes that the presentation of these measures will enhance an investor's understanding of Polaris Infrastructure's operating performance. Management's determination of the components of non-GAAP performance measures are evaluated on a periodic basis in accordance with its policy and are influenced by new transactions and circumstances, a review of stakeholder uses and new applicable regulations. When applicable, changes to the measures are noted and retrospectively applied.

Descriptions and reconciliations of the above noted non-GAAP performance measures are included in Section 11: Non-GAAP Performance Measures in the Company's MD&A for the year ended December 31, 2020 and in the Company's website [www.polarisinfrastructure.com/Non-GAAP](http://www.polarisinfrastructure.com/Non-GAAP).