



Management Discussion and Analysis of Financial and Operational Performance for the six months ended 31 December 2011

28 February 2012

All figures in this report relate to businesses of the Infigen Energy Group (“Infigen” or “the Group”), being Infigen Energy Limited (“IEL”), Infigen Energy Trust (“IET”) and Infigen Energy (Bermuda) Limited (“IEBL”) and the subsidiary entities of IEL and IET, for the six months ended 31 December 2011 compared with the six months ended 31 December 2010 (“prior corresponding period”) except where otherwise stated.

As required by the International Financial Reporting Standards’ (IFRS) accounting standards, Infigen consolidates 100% of all controlled entities within its result. The results discussed in this document refer to Infigen’s economic interest unless specifically marked otherwise and therefore minority interests within individual components have been eliminated consistently. All reference to \$ is a reference to Australian dollars unless specifically marked otherwise. Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components. Period on period changes on a percentage basis are presented as favourable (positive) or unfavourable (negative). Period on period changes to items measured on a percentage basis are presented as percentage point changes (“ppts”).

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1 Statutory Loss and Distribution Declaration

1.1 Statutory Loss - \$35.2 million

Infigen Energy reported a Statutory Loss for the year of \$35.2 million, an adverse movement of \$0.8 million compared with a Statutory Loss of \$34.4 million in the prior corresponding period.

The result reflects lower revenue, higher operating costs, a lower contribution from Institutional Equity Partnerships (IEPs) and higher net borrowing costs. These were partially offset by an initial contribution from the Woodlawn Wind Farm, lower corporate costs and a tax benefit.

1.2 Statutory Loss per Security – 4.6 cps

Statutory Loss per Security was 4.6 cents per security (cps), a 0.1 cps unfavourable movement compared to the prior corresponding period (4.5 cps).

1.3 Net Asset backing per Security - \$0.73

Net Asset backing per Security at 31 December 2011 was \$0.73 compared to \$0.84 at 30 June 2011. The reduction is primarily due to the unfavourable change in fair value of financial instruments (interest rate swaps).

1.4 Distributions

There was no interim distribution for the six months ended 31 December 2011. An interim distribution of 1.0 cent per stapled security was declared for the six months ended 31 December 2010 and paid on 17 March 2011.

As previously advised by the Directors of Infigen Energy, distributions have been suspended for the financial years ending 30 June 2012 and 30 June 2013.

2 Review of Financial Performance

The group disposed of its wind farm assets in Germany in June 2011. As a consequence of this disposal, for the six months ended 31 December 2010, Germany is classified as a discontinued operation.

The following tables provide a summary of the key statutory financial outcomes and metrics compared with the relevant prior period.

Six months ended 31 Dec (\$m unless otherwise indicated)	2011	2010	Change %
Revenue	133.5	134.4	(1)
EBITDA	67.9	71.9	(6)
Depreciation and Amortisation	(69.8)	(70.2)	(1)
EBIT	(1.9)	1.7	n/a
Net Borrowing Costs	(36.2)	(35.2)	3
Net Income from IEPs	(1.4)	1.7	n/a
Loss before Significant item & Tax	(39.5)	(31.8)	24
Income Tax benefit/(expense)	4.2	(0.9)	n/a
Discontinued Operations	-	(1.7)	(100)
Significant items	-	-	
Net Loss after Tax	(35.2)	(34.4)	2
Operating Cash Flow	25.9	6.9	275
Capital Expenditure ¹	23.2	37.5	(38)
Operating Cash Flow per security ² (cps)	3.4	0.9	273
Earnings per security (cps) ³	(4.6)	(4.5)	2
Distribution per security (cps)	-	1.0	(100)

Further segmentation of the profit and loss line items in the table above is available in the financial statements and throughout this document.

Position at (\$m unless otherwise indicated)	31 Dec 2011	30 June 2011	Change %
Debt	1,108	1,252	(12)
Cash	145	305	(53)
Net Debt	963	947	2
Class A Liability	719	700	3
Securityholders' Equity	556	641	(13)
Book Gearing	63.4%	59.7%	(3.7) ppts ⁴
EBITDA/(Net debt + Equity)	9.2%	10.0%	(0.8) ppts
Net Assets per Security (\$)	0.73	0.84	(13)

¹ Represents the cash outflow in relation to capital expenditure

² Calculated using securities issued at end of year

³ Calculated using weighted average issued securities

⁴ ppts = Percentage points

2.1 Reconciliation of Statutory Accounts to Economic Interest

Infigen has a controlling interest in two wind farm entities in the US in which it owns more than 50% but less than 100% of Class B interests. Under IFRS Infigen fully consolidates the financial performance of these wind farm entities within its statutory results and eliminates the non-controlling interest, which is recorded through “Net Income of IEPs”.

Infigen believes it is more useful to review the performance of the business from an economic interest perspective and has therefore provided a reconciliation to the statutory presentation of the key Profit and Loss line items below.

Following this section all figures will reference “Economic Interest” unless specifically stated otherwise.

Six months ended 31 Dec 2011	Statutory (\$m)	Minority Interest (\$m)	Economic Interest (\$m)
Revenue	133.5	(7.8)	125.7
Operating EBITDA	75.8	(5.7)	70.1
Other costs and income	(7.9)	-	(7.9)
EBITDA	67.9	(5.7)	62.2
Depreciation and Amortisation	(69.8)	3.8	(66.0)
EBIT	(1.9)	(1.9)	(3.8)
Net Borrowing Costs	(36.2)	-	(36.2)
Net Income from IEPs	(1.4)	1.9	0.5
Loss before Significant item & Tax	(39.5)	-	(39.5)
Income Tax	4.2	-	4.2
Net Loss after Tax from continuing ops	(35.2)	-	(35.2)
Discontinued business	-	-	-
Net Loss	(35.2)	-	(35.2)

Six months ended 31 Dec 2010	Statutory (\$m)	Minority Interest (\$m)	Economic Interest (\$m)
Revenue	134.4	(8.0)	126.4
Operating EBITDA	83.0	(6.1)	76.9
Other costs and income	(11.1)	-	(11.1)
EBITDA	71.9	(6.1)	65.8
Depreciation and Amortisation	(70.2)	4.1	(66.1)
EBIT	1.7	(2.0)	(0.3)
Net Borrowing Costs	(35.3)	-	(35.3)
Net Income from IEPs	1.7	2.0	3.7
Loss before Significant Items & Tax	(31.8)	-	(31.8)
Income Tax	(0.8)	-	(0.8)
Net Loss after Tax from continuing ops	(32.6)	-	(32.6)
Discontinued Operations	(1.7)	-	(1.7)
Significant items	-	-	-
Net Loss	(34.4)	-	(34.4)

2.2 Revenue - \$125.7 million

Revenue was \$125.7 million, down 1% or \$0.7 million.

Lower production in both the US and Australia due to unfavourable wind conditions, network constraints in South Australia, and unfavourable FX movements during the period resulted in lower revenue. This was mostly offset by an initial contribution from the Woodlawn Wind Farm in New South Wales, higher wholesale electricity prices, higher Large-scale Generation Certificate (LGC) prices, and compensated revenue and REC sales in the US.

Further details on revenue by country are provided in Section 7.

2.3 Operating EBITDA - \$70.1 million

Operating Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$70.1 million, down 9% or \$6.8 million.

This was primarily due to:

- US: marginally lower revenues and higher turbine operating and maintenance (O&M) costs as wind farms transition off warranty; and
- Australia: initial contributions from Woodlawn Wind Farm and higher LGC and wholesale electricity prices, higher O&M costs due to new assets and component replacements at wind farms that have transitioned off warranty.

Further details on operating EBITDA by country are available in Section 7.

2.4 LGC revaluation expense - \$0.3 million

At 31 December 2011 the LGC price was higher than the average monthly price at which the vast majority of unsold LGCs were brought to account. During the period there were occasions where the LGC price exceeded the price at 31 December 2011. An expense of \$0.3 million has been recorded in relation to those LGCs that were brought to account at that time.

In the prior corresponding period the LGC price at the end of the six months was lower than the average monthly price at which the retained LGCs were brought to account. This resulted in an expense in the prior corresponding period of \$2.1 million.

2.5 Development Costs - \$1.5 million

Development costs expensed were \$1.5 million, up \$1.1 million.

During the period \$1.3 million of additional costs relating to current development projects were capitalised (refer to Section 4).

2.6 Corporate Costs - \$5.7 million

Corporate costs were \$5.7 million, down 33% or \$2.8 million. This was primarily due to lower personnel costs, including contractors and the write back of non-cash Long Term Incentive (LTI) provisions. The LTIs have expired or are unlikely to vest as the required performance hurdles established by the Board at the time of the grant have not been met.

Corporate costs cover typical functions required to operate a publicly listed company with international operations and financing, corporate functions required to plan, manage and report the group's operations, and information technology systems associated with these functions.

2.7 EBITDA - \$62.2 million

EBITDA was \$62.2 million, down 6% or \$3.6 million. This was due to lower operating EBITDA and higher development costs expensed partially offset by lower LGC revaluation expense and lower corporate costs as outlined above.

2.8 Depreciation and Amortisation - \$66.0 million

Depreciation and Amortisation expense was \$66.0 million, down \$0.1 million.

This was primarily due to higher depreciable operating capacity in Australia (+\$3.0 million) more than offset by lower depreciation of the US wind farms (-\$3.2 million) due to the appreciation of the AUD against the USD.

2.9 EBIT - \$(3.8) million

Earnings Before Interest and Tax (EBIT) was \$(3.8) million compared with \$(0.3) million. This was due to lower EBITDA partially offset by lower depreciation and amortisation expenses as outlined above.

2.10 Income from Institutional Equity Partnership - \$0.5 million

Net income from US IEPs was \$0.5 million, down 86% or \$3.2 million.

An explanation of the structure of IEPs (including the accounting treatment) is provided in Appendix B of the Management Discussion and Analysis for the year ended 30 June 2011. The following table summarises the components of net income from IEPs.

Six months ended 31 Dec	2011 (\$m)	2010 (\$m)	Change %
Value of production tax credits (Class A)	38.6	39.5	(2)
Value of tax losses (Class A)	2.0	10.5	(81)
Benefits deferred during the period	(13.9)	(21.4)	(35)
Income from IEPs	26.7	28.6	(7)
Allocation of return (Class A)	(21.9)	(24.8)	(12)
Movement in residual interest (Class A)	(2.6)	(0.5)	420
Non-controlling interest (Class B)	(3.6)	(1.6)	125
Financing costs related to IEPs	(28.1)	(26.9)	4
Net income from IEPs (Statutory)	(1.4)	1.7	n/a
Non-controlling interests (Class B & Class A)	1.9	2.0	(5)
Net income from IEPs (Economic Interest)	0.5	3.7	(86)

Value of Production Tax Credits (PTCs) (Class A) was \$38.6 million, down 2% or \$0.9 million largely reflecting lower production and the depreciation of the AUD

against the USD. The unit value of a PTC was US\$22 for both the 2010 and 2011 calendar years.

Value of tax losses (Class A) was \$2.0 million, down 81% or \$8.5 million due to the reduction in tax depreciation as more large value assets that benefit from accelerated depreciation become fully depreciated.

During the period \$13.9 million of benefits were deferred, down 35% or \$7.5 million. Benefits deferred are the difference between tax depreciation and accounting depreciation for the year. This reduction reflects lower tax depreciation during the period as described above.

Allocation of return (Class A) is the agreed target return on Class A capital balances and was a \$21.9 million expense for the period, down 12% or \$2.9 million reflecting both lower Class A capital balances and the appreciation of the AUD against the USD.

The movement in residual interest (Class A) was \$2.6 million, up \$2.1 million. This reflects period on period changes in expectations of future tax allocations and cash flows.

The non-controlling interest (Class B) represents the share of net profit attributable to the non-controlling interest holders in the Cedar Creek and Crescent Ridge wind farms. The increase was primarily due to a higher net income from IEPs for those wind farms.

The non-controlling interest (Class B & Class A) represents the elimination of non-controlling interest contributions of each income and financing cost IEP line item (attributable to both the Class A and Class B non-controlling interests in the Cedar Creek and Crescent Ridge wind farms) .

2.11 Net Financing Costs - \$36.2 million

Net Financing Costs from continuing business were \$36.2 million, up 3% or \$0.9 million. Net Borrowing Costs comprise interest expense (including net interest rate swap payments) and income, interest rate swap termination costs, loan fee amortisation, bank fees and FX gains and losses associated with these items and principal repayment.

Six months ended 31 Dec	2011 (\$m)	2010 (\$m)	Change %
Interest Expense	(37.5)	(45.3)	(17)
Termination of swaps	-	(8.6)	(100)
Loan and Bank Fees	(1.1)	(0.8)	(38)
Total Borrowing costs	(38.6)	(54.7)	(29)
Interest Income	1.5	7.8	(81)
FX Gain and other	0.9	11.6	(92)
Total Other Income	2.4	19.5	(87)
Net Financing Costs	(36.2)	(35.3)	3

Total borrowing costs were \$38.6 million, \$16.1 million lower compared with the prior corresponding period. This was primarily due to lower interest expense resulting from debt repayment after the sale of the wind farms in Germany (\$7.8 million) and lower interest rate swap termination costs (\$8.6 million).

Interest income and net foreign exchange gains provided a benefit of \$2.4 million, down 87% or \$17 million compared to the prior corresponding period. This was primarily due to a lower average cash balance during the period and the non recurrence of a significant appreciation of the AUD against the USD in the prior corresponding period.

2.12 Loss before tax - \$39.5 million

Loss before tax was \$39.5 million, an adverse movement of 24% or \$7.7 million due to lower EBIT, lower net contribution from US IEPs and higher net borrowing costs.

2.13 Income Tax benefit - \$4.2 million

Income Tax benefit was \$4.2 million - a favourable movement of \$5.1 million.

The tax benefit this year was primarily attributable to a higher accounting loss of the Australian business.

2.14 Net Loss - \$35.2 million

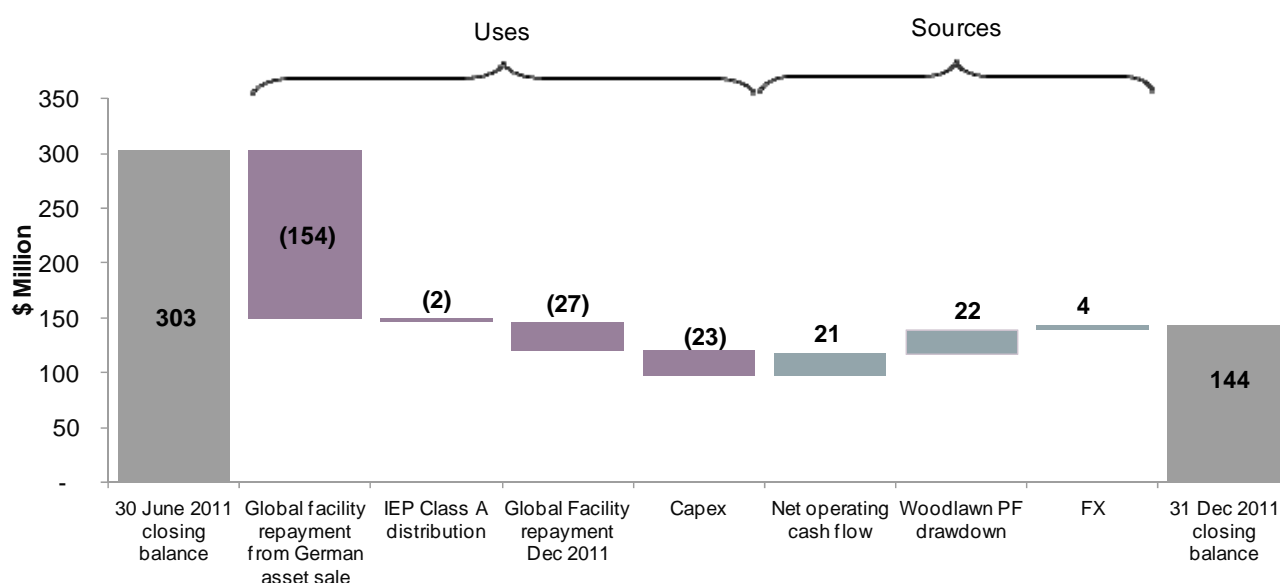
Infigen Energy reported a Statutory Loss for the year of \$35.2 million, an adverse movement of \$0.8 million compared with a Statutory Loss of \$34.4 million in the prior corresponding period.

The result reflects lower revenue, higher operating costs, a lower contribution from US Institutional Equity Partnerships and higher net borrowing costs. These were partially offset by an initial contribution from the Woodlawn Wind Farm, lower corporate costs and a tax benefit.

3 Cash Flow

3.1 Cash movement

Cash balance at 31 December 2011 was \$144 million, 52% or \$159 million lower than 30 June 2011. The cash balance at 31 December 2011 comprises \$32 million held by entities within the Global Facility Borrower Group (Infigen’s borrowings comprise a multi-currency Global Facility secured by Infigen’s interests in all of the operational wind farms except for Woodlawn - ‘the Borrower Group’) with \$112 million held by entities outside of that group (‘Excluded companies’).



Cash outflows comprise \$154 million that was applied to repayment of Global Facility principal in early July 2011, \$27 million for debt repayment (refer to Section 5), \$23 million payment for capital expenditure primarily for Woodlawn wind farm (refer to Section 4) and \$2 million in distributions to Class A tax equity holders.

Cash inflow for the year comprises \$21 million of net operating cash flow, \$22 million final drawdown from the Woodlawn Wind Farm facility and \$4 million due to FX movements.

3.2 Operating Cash Flow

Net operating cash flow after tax and financing costs

Six months ended 31 Dec	2011 (\$m)	2010 (\$m)	Change %
EBITDA from operations ⁵	70.1	84.0	(17)
Corporate & development costs & other	(7.6)	(9.0)	(16)
Working capital & non-cash items	(0.7)	(16.6)	(96)
Net financing costs and taxes paid	(40.7)	(42.9)	(5)
Termination of Interest rate swap	-	(8.6)	n/a
Net Operating Cash Flow	21.1	6.9	206
Non-controlling interests			
Distributions ⁶ paid (Class A & Class B)	7.6	6.9	10
Distributions paid (Class A)	(2.0)	(0.6)	233
Movement in working capital	(0.8)	(6.3)	88
Operating Cash Flow (Statutory)	25.9	6.9	275

Net operating cash flow after tax and financing costs was \$21.1 million for the six months, up 206% or \$14.2 million. Surplus operating cash flow was used to amortise debt under the Global Facility (refer to section 5 for more detail). The result was a significant turnaround from the first half of the prior year, where due to a number of one-off items and timing differences there was no principal repayment.

This outcome was achieved despite lower revenue and an increased operating cost environment as assets continue to transition off warranty.

Key period on period operating cash flow movements were working capital (\$15.9 million) largely due increase in retained LGC inventory and receivables in the prior period, net financing costs and taxes paid (\$2.2 million) as a result of debt repayment following

- (i) the sale of the German wind farms in June 2011,
- (ii) debt amortisation from operating cash flow in the second half of FY11, and
- (iii) lower cash balances following capital expenditure at Woodlawn wind farm.

3.3 US Cash Distributions

Cash flows from the US business are split between the Class A and Class B members in accordance with their entitlements during the various stages of the wind farms' lives (see Appendix B of the Management Discussion and Analysis for the year ended 30 June 2011 for more detail).

Cash flow allocated to Class A members during the period was \$2.0 million compared with \$0.6 million in the prior period. This relates to the Blue Canyon, Combine Hills and Caprock wind farms where the Class A members will receive all

⁵ Includes EBITDA from discontinued operations in the prior corresponding period

⁶ Distributions paid to institutional equity partners are classified as investing cash flows reflecting their treatment as debt-like instruments

net operating cash flow from the wind farms until their capital balances including agreed return, are fully amortised (refer below for Class A capital balances).

Infigen's Class B capital balances by portfolio are as follows:

Economic Interest Class B Capital Balance (US\$ million)				
Asset Vintage	31 Dec 2011	31 Dec 2010	Change \$	Change %
2003/2004	1.8	7.3	5.5	(75)
2005	12.3	27.3	15.0	(55)
2006	129.4	147.8	18.4	(12)
2007	97.1	138.3	41.2	(30)
Total	240.6	320.7	80.1	(25)

Class B capital balances are held at the limited liability company (LLC) level (refer to Section 10.3 for the relationship between wind farms, LLCs and asset vintage). Once Class B capital balances are fully repaid (cash flip point) or reach a fixed date, all operating cash flow from the related wind farm assets is allocated to Class A members until their capital balances are fully amortised.

Once the Class A members achieve their target return the cash flows are reallocated between the Class A and Class B members (as outlined in section 10.2).

The combined effect of the factors described above on Infigen's portfolio of 18 US wind farms is that the aggregate distributions to Infigen diminish as more projects reach the cash flip point and more operating cash flow is directed to reducing Class A capital balances. Infigen's aggregate distributions will 'dip' for a period until projects in the portfolio begin to reach their reallocation dates. For Infigen's portfolio, the cash flow dip is currently expected to be most pronounced from the second half of FY16 through to the first half of FY18. The timing and duration of the cash flow dip will be influenced by the performance of the US wind farms during the intervening period.

The following table provides a summary of Class A capital balance movements.

Economic Interest Class A Capital Balance US\$ million				
Asset Vintage	31 Dec 2011	31 Dec 2010	Change \$	Change %
2003/2004	75.4	86.9	(11.5)	(13)
2005	102.0	102.4	(0.4)	-
2006	166.9	174.1	(7.2)	(4)
2007	245.7	259.9	(14.2)	(5)
Total	589.9	623.2	(33.3)	(5)

4 Capital Expenditure and Divestments

4.1 Capital Expenditure

Cash payment for capital expenditure was \$23.2 million, down 33% or \$11.3 million. This expenditure was required to complete the construction of the Woodlawn Wind Farm in Australia, to preserve the value of the Australian development pipeline, and to meet minor capital expenditure needs across the US business.

The following table provides a summary of the key areas of expenditure.

Six months ended 31 Dec	2011 (\$m)	2010 (\$m)	Change %
Australia - Construction & PP&E	20.9	28.7	(27)
Australia - Development	1.3	5.5	(76)
US - PP&E	1.0	0.3	233
Total Capital Expenditure	23.2	34.5	(33)

Construction and PP&E expenditure mainly relates to the completion of the Woodlawn Wind Farm (\$20.0 million). Australian development expenditure was substantially lower than the prior period that included expenditure in relation to the Solar Flagships bid.

In the US, PP&E relates to miscellaneous capital expenditure across the businesses on Information Technology, turbine components and balance of plant.

5 Capital Management

5.1 Debt

Infigen's borrowings comprise a multi-currency Global Facility secured by Infigen's interests in all of the currently commissioned wind farms except the Woodlawn Wind Farm ('the Borrower Group') and a project finance facility which has recourse only to the Woodlawn Wind Farm.

Total debt at 31 December 2011 was \$1,108 million comprising \$1,053 million of Global Facility debt and \$55 million of project finance. This was a reduction of \$144 million compared with \$1,252 million at 30 June 2011. During the six months to 31 December 2011 the Borrower Group applied \$154 million to repayment of the Global Facility from the sale of the German wind farms in late June 2011 and a further \$26 million Global Facility repayment in December 2011 by the Borrower Group. This was partially offset by \$22 million draw down on the Woodlawn project finance facility and \$14 million in adverse FX movements.

The Global Facility leverage ratio covenant was met at 31 December 2011 and Infigen is confident that under reasonable operating and market assumptions it will continue to meet the covenant for the duration of the facility term.

5.2 Net Debt

The net debt for the consolidated entity (economic interest) increased from \$949 million at 30 June 2011 to \$964 million at 31 December 2011. The net movement of

\$15 million was primarily due to the drawdown of project finance debt and the depreciation of the AUD against the USD and Euro partially offset by cash flow from operations. The factors contributing to movement are as follows:

- net operating cash flow (+\$21.1 million),
- unrealised FX cost (-\$10.9 million),
- capital expenditure (-\$23.2 million), and
- distributions to Class A tax equity members (-\$2.0 million).

5.3 Equity

Total equity decreased 13% from \$641 million at 1 July 2011 to \$556 million at 31 December 2011. The decrease of \$85 million is attributable to:

- the net loss for the period (-\$35 million),
- a change in the fair value of cash flow hedges (-\$58 million),
- exchange difference on the translation of foreign operations and movement in fair value of net investment hedges (+\$10 million), and
- write back of share-based payments previously expensed (-\$2 million).

5.4 Gearing

The following table provides a comparison of Infigen's book gearing (economic interest) at 31 December 2010 and 31 December 2011. The change reflects the movements in net debt and equity described above.

As at (\$ million unless otherwise stated)	31 Dec 2011	30 Jun 2011	Change %
Net Debt	964	949	2
Total Equity	556	641	(13)
Book Gearing	63.4%	59.7%	3.7ppts
US IEP Tax Equity ⁷	664	575	15
Total Gearing	74.5%	70.4%	4.1ppts

A balance sheet by country is provided in Appendix A.

5.5 Share Capital

At 31 December 2011 Infigen had 762,265,972 issued stapled securities compared with 761,222,569 issued stapled securities at 31 December 2010.

On 17 March 2011 Infigen issued 1,043,403 stapled securities under the Distribution Reinvestment Plan ("DRP") at a price of \$0.34 cents per security in relation to the payment of the interim distribution for the six months ended 31 December 2010.

As at	31 Dec 2011	31 Dec 2010	Change
Securities on issue	762,265,972	761,222,569	1,043,403
Weighted average – six months ended	31 Dec 2011	31 Dec 2010	Change
Securities on issue	762,265,972	760,863,031	1,402,941

⁷ Refer to Appendix B

6 Safety and Risk Management

6.1 Safety

Infigen's first priority is the safety of our people and the communities in which we operate. Our goal is zero lost time incidents and injuries. Infigen's safety performance as measured on a rolling 12 month lost time injury frequency rate (LTIFR) has substantially improved from 9.0 at 31 December 2010 to 1.1 at 31 December 2011. While this reduction is pleasing we will still strive to meet our goal of zero harm.

6.2 Risk Management

Infigen's business is exposed to certain risks which it manages through adherence to the Group's risk policy, including Board approved exposure limits. The Board receives regular updates on exposures and compliance.

6.3 Asset Management Risks

The following risks are inherent in the management of renewable energy assets during their lifecycle:

- Sovereign Risk – A state or nation changes the existing regulatory or policy frameworks to the detriment of current and future assets;
- Public Attitudes – Acceptance of the visual, acoustic and environmental impact of renewable energy assets may change, thus affecting the location, number and operation of future renewable energy assets in any given area;
- Development Risk – Poor inherent design or the adoption of characteristics (fuel source, technology, supply chain, connection arrangements) may lead to systemic underperformance of assets over time;
- Construction Risk – Risk that quality, cost and/or timeliness of creating and commissioning new assets do not meet the investment case expectations or create commercial or reputational issues;
- Fuel Risk – The risk that fuel sources vary from the expected long term energy production forecasts, leading to variability in actual energy yield;
- Technology Risk – The risk that plant underperforms availability and/or output expectations, and/or components fail at higher rates than expected leading to lower reliability and higher maintenance costs;
- Operating and Maintenance Risks – The risks inherent in operating physical assets within a diverse range of (sometimes remote) geographies that are exposed to a variety of extreme environmental conditions; and
- Transmission and Connection Risks – The risks of being dependent on a shared network infrastructure (operated by external parties) which may not be available or may constrain an assets ability to deliver electricity.

Additional risks inherent in operating Infigen's business include:

- Price Risk
- Interest Rate Risk
- Foreign Exchange Risk

The key risks identified above are discussed in more detail below.

6.4 Fuel Risk

In relation to wind farms, independent expert advisers have made electricity production forecasts on the basis of long term mean levels (P50) of wind resource.

Fluctuations in the level of wind occur on a short term basis (hourly, daily, monthly and seasonal variations) and a long term basis (e.g. variations associated with El Nino and La Nina weather patterns and long duration severe weather events such as droughts). The fluctuations in the wind (positively or negatively) around the long term mean (P50) affects the amount of electricity and environmental products produced.

Infigen Energy closely monitors wind conditions at all of its sites and provides annual production guidance acknowledging the inherent variability of its fuel source.

6.5 Operating and Maintenance Risk

The availability and performance of wind turbines and other equipment to specification is essential for projected revenues and returns to be achieved. Wind turbines and associated equipment require routine maintenance in order to continue to function properly and preserve long term plant reliability.

Assets are exposed to numerous external risks including the effect of *force majeure* events, plant breakdowns, electricity network and other utility service failures, and other unanticipated events. Furthermore, there is a range of internal risks including equipment failure, non-performance to specification, accidents, and turbine damage by third parties.

The cost of repairing or replacing damaged assets may be considerable, while repeated or prolonged interruption may result in termination of contracts, substantial litigation and damages or penalties for regulatory or contractual non-compliance, reduced cash flows and increased funding costs. This latter scenario is considered to be a lower risk.

Whilst Infigen retains appropriate insurance coverage for a variety of events, if the maintenance expenditure is different from the forecast level, cash flows and operating returns may affect the long run returns on investment.

6.6 Price Risk

Infigen's Energy Markets function was established to manage electricity market risks associated with the merchant wind farms and to optimise revenue. This function incorporates the following roles:

- Operational - ensuring that wind farms are scheduled and dispatched to generate maximum revenue;
- Commercial - ensuring that contracting strategies are appropriate for the portfolio; and
- Development - to expand channels to market, including Industrial and Commercial end-user markets.

Infigen maintains a disciplined approach to contracting electricity and LGCs driven by sustainable long term price levels rather than short term cyclical spot market trends. Infigen's Energy Markets function plays a key role in determining and implementing strategy in relation to electricity and LGC sales, and LGC inventory management, having regard to the financial objectives of the Group.

6.6.1 Electricity

In the electricity market Infigen assesses its risk by reference to potential earnings and balance sheet exposures arising from the characteristics of variable generation output. Infigen undertakes various contracting arrangements within policy limits to minimise extreme price and volume event risks. This includes prudent hedging but excludes any principal trading.

6.6.2 Environmental Products

In the risk context, Infigen's primary Australian exposure is to the Federal Government's Renewable Energy Target (RET) legislation. Of Infigen's six operational wind farms, 58% of annual P50 production is currently contracted under medium to long term contracts. At 31 December 2011 Infigen retained a LGC inventory of approximately 204,000 LGCs with a book value of \$8.2 million. A small balance of Infigen's environmental certificate inventory relates to NSW greenhouse gas abatement certificates.

In the US, Infigen also generates RECs at all of its wind farms. Under the majority of its Power Purchase Agreements (PPAs) these are sold to the off-taker as part of a bundled contract price. At its merchant plants Infigen sells its RECs as they are created at market prices typically ranging from US\$0.90 to US\$1.50 per REC.

6.7 Interest Rate Risk

Infigen's borrowings comprise a multi-currency Global Facility secured by Infigen's interests in all of the currently commissioned wind farms except for the Woodlawn Wind Farm and a project finance facility which has recourse to the Woodlawn Wind Farm.

6.8 Foreign Exchange Risk

Infigen has wind farm operations in Australia and the US and generates AUD and USD revenue from these operations. Infigen is exposed to fluctuation of the AUD against the USD as it would affect the value of AUD equivalent revenue from its US wind farm operations.

Infigen has a multi-currency debt facility and aims to ensure that the majority of its debt and expenses are denominated in the same currency as the associated revenues and investments.

Under the Global Facility Infigen has a residual EUR debt position from its previous investments in Spain, France and Germany. Following the sale of the German assets in June 2011 there was €116 million debt which is no longer offset with any operational EUR denominated assets. Infigen is therefore exposed to a fluctuation in value of AUD versus the EUR which would affect the AUD equivalent value of its EUR debt and the AUD equivalent cost of EUR interest expense. In December 2011 Infigen elected to prepay €17 million of its EUR debt, being the majority of the total \$26 million repaid by the Borrower Group, and at the end of the period had €99 million of EUR debt.

Infigen has entered into hedging arrangement to manage some of its Euro exposure through buying €30 million covered FX forward contracts and holding some of its cash reserves in Euro (€15 million).

The table below provides the balance sheet translation rates used in the statement of financial position, and a simple average of the monthly translation rates used in the statement of comprehensive income.

Statement of financial position			
As at	31 Dec 2011	30 Jun 2011	Change %
USD	1.0233	1.0609	(4)
Euro	0.7895	0.7367	7
Statement of comprehensive income			
Six months ended	31 Dec 2011	31 Dec 2010	Change %
USD	1.0112	0.9437	7

Refer to Appendix A for Infigen's balance sheet by currency.

7 Operational Performance Review

7.1 US

Six months ended 31 Dec	2011	2010	Change	Change %
Operating Capacity (MW)	1,089	1,089	-	-
Production (GWh)	1,368	1,469	(101)	(7)

Total Revenue (US\$M)	62.5	63.4	(0.9)	(1)
Operating EBITDA (US\$M)	24.1	30.8	(6.7)	(22)
Production Tax Credits (US\$M)	39.1	34.3	4.8	14

US Wind Farms				
Wind Farm Revenue (US\$M)	60.8	62.2	(1.4)	(2)
Wind Farm EBITDA (US\$M)	24.0	30.4	(6.4)	(21)
EBITDA Margin	39.5%	48.9%	(9.4) ppts	n/a
Energy Price (\$/MWh)	44.44	42.34	2.10	5
Wind Farm cost (\$/MWh)	26.88	21.65	5.23	24
EBITDA margin inc PTCs	63.2%	67.0%	(3.8)ppts	n/a

Management Services				
Revenue (US\$M)	1.6	1.2	0.4	33
EBITDA (US\$M)	0.1	0.4	(0.3)	(75)

Translation to AUD				
Revenue (A\$M)	61.8	66.5	(4.7)	(7)
Operating EBITDA (A\$M)	23.8	32.2	(8.4)	(26)

The US business has continued transition into a post warranty environment with focus on enhancing value through the safe, efficient and compliant operations of the existing asset base. In addition to continued improvement in safety performance, the US business is executing programs for further improvement in predictive and preventive maintenance practices, supply chain management, maintenance management systems, inventory optimisation, and the development and capabilities of our workforce to maintain and improve operating cost competitiveness. The business has also invested in increased technical and commercial capabilities to improve plant availability, maximise revenues, source alternative parts suppliers, manage regulatory risks, improve technician response times, and extend power purchase agreements.

Infigen has an operating capacity of 1,089 MW (Class B interest) in the US comprising 18 wind farms. Fourteen of these wind farms have PPAs for their entire output and account for 911 MW of the total operating capacity. Three wind farms with 174 MW of operating capacity operate on a merchant basis, while one (4 MW of its capacity) generates revenue both through a PPA and from merchant sale.

All of Infigen's wind farms generate Production Tax Credits (PTCs) for 10 years from the date of first commercial operation. PTCs were worth US\$22 per megawatt-hour for the 2010 and 2011 calendar years. Each wind farm is entitled to one PTC per megawatt-hour of production. The Group accounts for PTCs as income in the period

that the credit is derived on the basis that it reduces the Class A liability. This is accounted for in the “Other income” line item in Infigen’s statutory accounts. A detailed description of the Tax Equity financing structure of Infigen’s US assets is provided in Appendix B of the Management Discussion and Analysis for the year ended 30 June 2011.

There was no change to Infigen’s operating capacity in the US during the period with operating capacity remaining at 1,089 MW (Class B interest). Production decreased 7% reflecting lower wind speeds and lower availability. Turbine availability improved, however site availability decreased due to malfunctioning electrical equipment, electric grid curtailments and grid interconnection issues, for which Infigen was compensated.

Total revenue decreased 1% to US\$62.5 million reflecting lower production predominantly due to slightly lower wind speeds compared with the prior corresponding period. This was partially offset by compensated revenue for grid curtailments and higher wholesale electricity prices.

Total operating costs increased 18% or US\$5.8 million to US\$38.4 million largely reflecting increased turbine O&M costs as wind farms transition off warranty.

Total operating EBITDA for the US business decreased 22% or US\$6.7 million to US\$24.1 million reflecting marginally lower revenue and higher wind farm costs.

7.1.1 Production

Six months ended 31 Dec	2011	2010	Change
Operating Capacity (MW)	1,089	1,089	-
Capacity Factor	28.3%	30.0%	(1.7) ppts
Turbine Availability	95.9%	95.6%	0.3 ppts
Site Availability	94.9%	95.3%	(0.4) ppts
Production (GWh)	1,368	1,469	(101)

Production decreased 7% or 101 GWh to 1,368 GWh reflecting lower wind speeds across most wind farms.

Turbine availability improved 0.3% to 95.9%, however site availability decreased 0.4% to 94.9% due to malfunctioning electrical equipment primarily at Aragonne Mesa. Availability was further affected by electric grid curtailments and grid interconnection issues of other wind farms, for which Infigen was compensated.

Production (GWh) by Asset Vintage

Six months ended 31 Dec	2011	2010	Change	Change %
2003/2004	380	412	(32)	(8)
2005	171	190	(19)	(10)
2006	342	392	(50)	(13)
2007	475	475	-	-
Total	1,368	1,469	(101)	(7)

7.1.2 Price

The average electricity price realised increased 5% to US\$44.44/MWh compared to US\$42.34/MWh. This was due to mix of production from wind farms with PPAs and higher realised electricity prices from merchant wind farms in the North East (PJM) and Texas (ERCOT) markets. The dispatch weighted average PJM and ERCOT prices for the year are outlined below.

Period (US\$/MWh)	H1 FY12	H1 FY11	Change %
PJM	27.46	23.52	17
ERCOT	20.40	19.45	5

7.1.3 Wind Farm Revenue

Revenue decreased 2% or US\$1.4 million to US\$60.8 million. This primarily reflected decreased production (-US\$3.2 million) partially offset by higher compensated revenue (+US\$1.3 million), higher merchant REC sales (+US\$0.3 million) and higher merchant electricity prices (+US\$0.2 million).

Revenue⁸ (US\$ million) by Asset Vintage

Six months ended 31 Dec	2011	2010	Change	Change %
2003/2004	12.4	13.2	(0.9)	(7)
2005	7.0	7.8	(0.8)	(10)
2006	16.2	18.2	(2.0)	(11)
2007	21.9	21.3	0.6	3
Total	57.5	60.5	(3.0)	(5)

7.1.4 Wind Farm Costs

Wind farm costs increased 16% or US\$5.0 million to US\$36.8 million reflecting the transition to a post warranty operating environment. The US\$4.8 million increase in turbine O&M costs was due to

- turbine unscheduled O&M and component replacements as wind farms (Caprock, Kumeyaay, and Bear Creek) transitioned off warranty; and
- costs associated with necessary end of warranty activities relating to Siemens turbines at Sweetwater that were not incurred in 2010.

Six months ended 31 Dec (US\$M)	2011	2010	Change	Change %
Asset Management	5.4	5.1	0.3	6
Turbine O&M	19.0	14.2	4.8	33
Balance of Plant	3.2	3.4	0.2	(5)
Other Direct Costs	9.2	9.1	0.1	1
Wind Farm Costs	36.8	31.8	5.0	16
<i>Wind farm costs US\$/MWh</i>	<i>26.90</i>	<i>21.65</i>	<i>5.25</i>	<i>24</i>

Wind farm costs on an actual per megawatt-hour production basis increased 24% or US\$5.25/MWh to US\$26.90/MWh reflecting higher wind farm costs described above

⁸ Note :Excludes compensated revenue and REC revenue

and lower production due to unfavourable wind conditions. On a P50 basis unit wind farm costs increased 16% or US\$3.01/MWh to US\$22.15/MWh.

Financial Year	2011	2012	2013	2014	2015
% MW under warranty	54	27	6	1	-

7.1.5 Infigen Asset Management Revenue and Costs

Six months ended 31 Dec (US\$M)	2011	2010	Change	Change %
Revenue	1.6	1.2	0.4	33
Operating Costs	1.5	0.8	0.7	88
EBITDA	0.1	0.4	(0.3)	214

Revenue from Infigen Asset Management operations was US\$1.6 million compared to US\$1.2 million in the prior corresponding period. The US\$0.4 million increase reflects higher management fees for incremental services as several farms transitioned off warranty.

Operating costs associated with the Infigen Asset Management business increased US\$0.7 million to US\$1.5 million reflecting costs associated with providing asset management services to third parties and transitioning costs of operating sites to Infigen Asset Management following the end of warranty periods.

7.1.6 Operating EBITDA

Operating EBITDA for the entire US business decreased 22% or US\$6.7 million to US\$24.1 million primarily reflecting lower revenue from lower production, higher wind farm costs as wind farms transitioned off warranty and higher IAM costs.

Operating EBITDA from the US wind farms of US\$24 million was 21% or US\$6.4 million lower than the prior corresponding period reflecting lower revenue and higher wind farm costs as the wind farms transition off warranty.

EBITDA Margins Six months ended 31 Dec	2011	2010	Change ppts
Wind Farm	39.5%	48.9%	(9.4)
Wind Farm & PTC	63.2%	67.0%	(3.8)

EBITDA margin from the wind farms was 39.5% compared with 48.9% in the prior corresponding period. This primarily reflected higher unit turbine O&M costs associated with component replacements and related unscheduled maintenance costs in a post warranty environment, and to a lesser extent lower revenue.

EBITDA margins including PTCs also reduced to 63.2% for the reasons described above.

7.1.7 Depreciation and Amortisation

Depreciation and amortisation was US\$40.5 million and in line with the prior corresponding period. Infigen depreciates its US wind farms and associated plant using the straight line method over 25 years reflecting their useful lives.

7.1.8 Development

The US business has a number of potential organic development opportunities across its existing portfolio. Additionally, in February 2012, the business has expanded upon these opportunities through the acquisition of an interest in a number of solar PV development projects complementing its wind portfolio. These development projects are in areas with strong Renewable Portfolio Standard (RPS) requirements and represent an attractive US solar PV development pipeline.

7.2 Australia

Six months ended 31 Dec (\$M) unless stated otherwise	2011	2010	Change	Change %
Operating Capacity (MW)	557	508	48	10
Production (GWh)	716	720	(4)	(1)
Revenue	63.9	59.9	4.0	7
Operating EBITDA	46.2	44.7	1.5	3
Operating EBITDA margin (%)	72.3	74.4	(2.1) ppts	n/a
Average Price (A\$/MWh)	89.3	83.2	6.1	7
Operating Cost (A\$/MWh)	24.7	21.1	3.0	17

The Australian business manages the operational performance of the six wind farms, the commercial performance of the business including the sale of electricity and environmental products and the continued development of the pipeline of prospective wind and solar projects.

The business continues to develop capabilities required to remain competitive as a vertically integrated energy business in a highly dynamic energy market that continues to undergo regulatory and structural change with increased de-carbonisation, privatisation, consolidation and competition.

Wind Farm	MW	P50 Capacity Factor	Location	Output
Lake Bonney 1	80.5	28%	SA	PPA
Lake Bonney 2	159.0	30%	SA	Market
Lake Bonney 3	39.0	31%	SA	Market
Alinta	89.1	44%	WA	PPA
Capital	140.7	36%	NSW	PPA & Market
Woodlawn ⁹	48.3	39%	NSW	Market
Total	556.6	34%		

Infigen holds 100% equity interests in each of its Australian wind farms.

Infigen sells the output from these wind farms through Power Purchase Agreements (PPAs) and LGC sales agreements, and on a merchant basis (wholesale electricity and LGC markets). Output from the Lake Bonney 1 and Alinta wind farms is sold under contract. The majority of the capacity of the Capital Wind Farm is contracted to the Sydney Desalination Plant under long term sales agreements, while the surplus output is sold on a merchant basis. Of Infigen's six operational wind farms, 58% of annual P50 production is currently contracted under medium to long term off-take agreements.

Operating capacity in Australia increased 10% reflecting the addition of the Woodlawn Wind Farm (48.3 MW) in NSW which reached practical completion in October 2011. The production decrease of 1% reflects lower wind speeds across all wind farms and materially higher network constraints in SA.

⁹ Woodlawn wind farm was commissioned on 17 October 2011, with 75 days of operations at a ramp up availability of 90%, the effective or real operating capacity for the period was 9.4 MW.

Revenue increased 7% reflecting an initial contribution from the Woodlawn Wind Farm and higher wholesale electricity and LGC prices, partially offset by lower production from the other operating assets.

Operating EBITDA increased 4% or \$1.5 million to \$46.2 million reflecting higher revenue from increased capacity and improved wholesale prices, partially offset by lower production and increased operating costs.

The Woodlawn Wind Farm reached practical completion on 17 October 2011. It was completed on time and on budget (\$115 million) with no lost time injuries. The \$55 million project finance facility became fully drawn during the period.

Progress continued on our development pipeline with the most prospective projects moving towards construction ready status in readiness for improved market and investment conditions. Planning approval was received for the Capital 2 Wind Farm.

Development applications were submitted for the Bodangora, Forsayth, Flyers Creek and Woakwine wind farms. In addition a development application for 1 MW of solar PV and battery storage has been lodged for the Capital Renewable Energy Precinct.

Six months ended 31 Dec	2011	2010	Change
Operating Capacity (MW)	557	508	48
Capacity Factor	29.5%	32.0%	(2.5) ppts
Turbine Availability	96.8%	97.4%	(0.6) ppts
Site Availability	95.9%	97.1%	(1.2) ppts
Production (GWh)	716	720	(4)

7.2.1 Production

Production decreased 1% or 4 GWh to 716 GWh reflecting an initial contribution from the Woodlawn Wind Farm (+57 GWh) offset by unfavourable wind conditions (-44 GWh), network constraints (-10 GWh) in SA caused by third parties and higher unscheduled maintenance (-7 GWh).

Network constraints are limitations of the distribution network which can reduce Infigen's production for which Infigen receives no compensation.

Turbine and site availability were 0.6% and 1.2% lower respectively, largely reflecting the ramp up phase of the Woodlawn Wind Farm during the period.

7.2.2 Prices

Wholesale electricity spot prices can vary between the market price floor of negative \$1,000/MWh and the market price cap of \$12,500/MWh. Where possible during periods of negative price events, Infigen will not dispatch its merchant wind farms (economic curtailment) and thus pre-emptively avoids having to pay the market to generate. Average spot prices in Australia can be significantly influenced by short term extreme price events; however during the period there was little price volatility in the markets where Infigen has merchant generation and this did not occur.

In SA and NSW time weighted average electricity prices were 40% and 17% higher than the prior corresponding period respectively. Despite the period on period increases, electricity prices during the period remained well below ten year average prices (to 31 December 2011) in SA and NSW.

The average monthly LGC price for the six months was \$40.40 compared with \$33.60 in the prior corresponding period. The LGC price at 31 December 2011 was \$41.05 compared with \$28.80 at 31 December 2010. LGC prices were above the 10 year average price.

As a result of improved electricity and LGC market prices, Infigen's weighted average portfolio bundled (electricity and LGCs) price was 2% higher at \$89.30/MWh compared with \$87.50/MWh in the prior corresponding period.

The following table outlines the time weighted average prices for the six months to 31 December 2011, the prior corresponding period and the 10 years to 31 December 2011.

Period (\$/MWh)	H1 FY12	H1 FY11	10 Year Average
SA - Electricity	33.4	23.8	43.8
NSW – Electricity	30.1	25.8	39.8
Large-scale Generation Certificates	40.4	33.6	36.3

7.2.3 Revenue

Revenue increased 7% or \$4.0 million to \$63.9 million. This reflected an initial contribution from the Woodlawn Wind Farm (+\$4 million), higher wholesale electricity prices particularly in South Australia and higher average LGC prices (+\$5.2 million), and higher revenue generated by Energy Markets (+\$1.7 million). This was partially offset by lower production across all sites due to unfavourable wind conditions (-\$6.9 million).

At 31 December 2011 Infigen held approximately 204,000 LGCs with a book value of \$8.2 million. The average book value was \$40.28 per LGC compared with a closing market price of \$41.05 per LGC at 31 December 2011. Unsold LGCs were recognised in revenue at the prevailing market price in the month in which they were created and contributed \$8.5 million to revenue for the period.

7.2.4 Operating Costs

Total operating costs increased 16% or \$2.5 million reflecting costs associated with an increase in capacity following the completion of the Woodlawn Wind Farm, higher turbine O&M costs including component replacement costs as Alinta and Lake Bonney 1 wind farms transitioned off warranty and higher Energy Markets costs (+\$1.0 million) reflecting a full six months of operations compared to the prior corresponding period. These were partially offset by lower asset management costs and lower costs associated with production and revenue linked land leases.

Wind farm costs increased 11% or \$1.5 million to \$15.2 million reflecting:

- new costs from the addition of the Woodlawn Wind Farm (\$0.7 million);
- increased turbine O&M costs at Alinta Wind Farm (\$0.2 million) following the expiration of the original warranty period,

- costs associated with gearbox and generator replacements at the out of warranty Lake Bonney 1 and Alinta wind farms (\$1.6 million),
- lower asset management costs reflecting lower consultant, employee and travel costs (-\$0.6 million),
- lower costs associated with production and revenue linked land leases (-\$0.3 million), and
- lower balance of plant costs (-\$0.1 million).

Six months ended 31 Dec (A\$M)	2011	2010	Change	Change %
Asset Management	3.1	3.4	(0.3)	(9)
Turbine O&M	8.8	6.6	2.2	33
Balance of Plant	0.1	0.2	(0.1)	(44)
Other Direct Costs	3.2	3.5	(0.3)	(9)
Wind Farm Costs	15.2	13.7	1.5	12
<i>Wind farm costs \$/MWh</i>	<i>21.20</i>	<i>19.03</i>	<i>2.17</i>	<i>11</i>
Energy Markets	2.5	1.5	1.0	67
Operating Costs	17.7	15.2	2.5	16
<i>Total operating costs \$/MWh</i>	<i>24.72</i>	<i>21.06</i>	<i>3.66</i>	<i>17</i>

Wind farm costs on an actual per megawatt-hour production basis increased 11% or \$2.17/MWh to \$21.20/MWh.

This primarily reflects:

- Lower production during the period as a result of unfavourable wind conditions and network constraints, and
- an increase in turbine O&M costs related to assets that have come out of warranty including component replacement costs previously borne by the OEM.

During the period response strategies maintained reliability of the plant however component replacement occurred at rates higher than forecast.

Energy Market costs have increased by \$1.0 million as Infigen continues to invest to remain competitive as a vertically integrated energy business in a highly dynamic energy market that continues to undergo regulatory and structural change with increased de-carbonisation, privatisation, consolidation and competition

Financial year	2011	2012	2013	2014	2015
% of MW under warranty	75	69	70	40	21

7.2.5 Operating EBITDA

Operating EBITDA increased 3% or \$1.5 million to \$46.2 million reflecting higher revenue from increased capacity and improved wholesale electricity prices and LGC prices partially offset by lower production and increased operating costs.

EBITDA margin for the period was 72.3% compared with 74.4%. The lower margin primarily reflects higher operating costs due to factors described above.

7.2.6 Depreciation and Amortisation

Depreciation and amortisation expenses increased 13% or \$3.0 million to \$25.8 million reflecting an increased depreciable asset base following the commissioning of the Woodlawn Wind Farm. Infigen depreciates its Australian wind farms and associated plant using the straight line method over 25 years reflecting their useful lives.

7.2.7 Construction

Construction was completed on the Woodlawn Wind Farm near Bungendore in NSW during the period with a total construction cost of \$115 million. The merchant Woodlawn Wind Farm is part financed by a \$55 million project finance facility that was fully drawn at 31 December 2011.

The wind farm achieved practical completion on 17 October 2011. There were no lost time injuries through to completion of the project.

The Woodlawn Wind Farm will provide enough renewable energy annually to power approximately 23,000 homes and assist in meeting New South Wales' electricity demand.

The project has created more than 150 direct jobs during construction and many more indirect jobs in Australia involving the fabrication of towers, buildings, switch rooms and electrical equipment. Infigen has provided on-site apprentices with valuable work experience and the development has also benefited the local community through increased economic activity. The wind farm together with Infigen's existing wind farms will aid Australia's transition to a low carbon economy and contribute to Australia's commitment to reduce greenhouse gas emissions and achieve the goal of generating 20% of electricity from renewable sources by 2020.

7.2.8 Development

During the period the development team continued to advance the most prospective projects in the wind and solar development pipeline towards a construction ready status and carried out work necessary to sustain the option value of the pipeline. Progress continues in readiness for improved market and investment conditions.

During the period planning approval was received for the Capital 2 Wind Farm and development applications were submitted for the Bodangora, Forsayth, Flyers Creek and Woakwine wind farms. Infigen is continuing to progress wind energy assessment, grid studies and connection applications to further these developments towards a construction ready state.

At the proposed Flyers Creek wind farm, Infigen is exploring the feasibility of a wind farm co-operative. It is anticipated that the co-op would invest in one of the turbines at the site. At this early stage there is strong community support for the initiative.

During the period the Victorian Government introduced restrictive wind farm planning regulations. Infigen has one small development asset (Cherry Tree) located in Victoria. Based on its current configuration the proposed wind farm is expected to only be mildly affected by the new regulations.

In NSW, the Government has released draft wind farm planning guidelines for comment. It is anticipated that these guidelines will come into force by June 2012. There are various requirements within the draft guidelines that Infigen and the industry believe should not remain in the final form of the guidelines. Further, it appears the guidelines will not apply to the Flyers Creek Wind Farm development. It is unclear whether the guidelines will apply to the Bodangora Wind Farm development.

Infigen has already received planning approval for its Capital 2 Wind Farm and as such the new guidelines will not apply to that project.

Infigen has a significant competitive advantage due to strong community support in areas where it has existing wind farms, the planning status of its development pipeline and the location of the project opportunities in its pipeline.

Infigen continued to explore solar opportunities during the period. At its Capital Renewable Energy Precinct, Infigen is undertaking early works towards the development of a small solar demonstration plant. A development application for 1 MW of solar PV and battery storage has been lodged.

As the cost of solar PV continues to decrease and companies such as Infigen leverage their capabilities toward utility scale solar PV development, the opportunity for solar PV to play an important role in achieving Australia's goal of generating 20% of electricity from renewable sources by 2020 will increase.

In February the Department of Resources, Energy and Tourism invited the shortlisted projects for the first round of the PV stream of Solar Flagships to resubmit bid following the failure of the preferred bidder to meet its obligations under the funding agreement.

The Infigen-Suntech consortium resubmitted its bid in late February 2012.

8 Outlook

Notwithstanding lower first half production, Infigen expects to meet its full year revenue guidance based on second half production and price expectations. Consistent with long-term seasonal variation, second half production is expected to increase in the US and to decrease in Australia, with full year production in Australia now expected to be approximately 5% lower than original lower guidance.

The majority of Infigen's production in the US and Australia is contracted through the 2012 financial year and beyond at average prices above current market prices. The balance of production is subject to prevailing wholesale electricity and LGC prices. Based on spot and forward prices in these markets, the full year average portfolio price in each country should be similar to that realised in the first half.

Infigen continues its focus on managing post warranty operating cost increases by utilising predictive and preventative maintenance and efficient supply chain management. Component replacements that were expected but did not occur in the 2011 financial year, occurred in the first half of the 2012 financial year resulting in higher component replacement costs for the period. Full year operating costs are still forecast to be within the post warranty operating cost guidance range.

Infigen remains on track to repay \$250 million of Global Facility borrowings across the 2011 and 2012 financial years and expects to continue to meet the Global Facility leverage ratio covenant test for the 2012 financial year.

9 Appendix A – Balance Sheet by Country

AUD'million	31-Dec-11 IFN Statutory Interest	Less US Minority Interest	31-Dec-11 IFN Economic Interest	Australia	United States
Cash	145	1	144	122	22
Receivables, Inventory & prepayments	69	2	67	44	23
PPE, Goodwill & Intangibles	2,823	172	2,651	1,120	1,531
Deferred Tax & other assets	48	-	48	48	-
Total Assets	3,084	175	2,910	1,334	1,576
Payables & provisions	56	3	53	27	26
Borrowings	1,108	-	1,108	758	350
Derivative Liabilities	171	-	171	108	62
Tax Equity (US)	664	71	593	-	593
Class B Minority (US)	56	56	-	-	-
Deferred Revenue (US)	474	46	428	-	428
Total Liabilities	2,528	175	2,353	893	1,461
Net Assets	556	-	556	441	115

10 Appendix B – Guidance

FY12 Original Guidance		
Production	GWh	
Australia	1,435 ^a - 1,600	
US	3,040 - 3,310	
Total	4,475 - 4,910	
Revenue	\$ million	
Australia (AUD)	121.0 - 142.0	
US (USD)	138.0 - 153.0	
Post Warranty Wind Farm Cost Increase Range	\$/MWh	
Australia (AUD/MWh)	5.0 - 10.0	Baseline: FY09 \$15.4 at P50 - 100% under warranty
US (USD/MWh)	5.0 - 10.0	Baseline: FY09 \$15.5 at P50 - 95% under warranty

^a Full year production in Australia is now expected to be approximately 5% lower than original lower guidance