Management Discussion and Analysis of Financial and Operational Performance for the year ended 30 June 2014

25 August 2014

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 year ended 30 June 2014 compared with the year ended 30 June 2013 ("prior year" or "prior corresponding period") except where otherwise stated.

As required by the International Financial Reporting Standards (IFRS), Infigen consolidates 100% of all controlled entities within its result. Following an IFRS change, which precludes the use of the proportional consolidation method previously employed, Infigen must now account for seven of its US joint ventures using the equity method.

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 references 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 column 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").

No representation, warranty or other assurance is made or given by, or on behalf of, Infigen that any projection, forecast, forward-looking statement, assumption or estimate contained in this presentation should or will be achieved.

1 Overview

1.1 Financial Performance – Economic Interest Basis

Infigen's net loss after tax was $8.9 million for the year ended 30 June 2014, a $71.1 million improvement to its net loss after tax of $80.0 million (including a $58.4 million impairment expense) in the prior corresponding period (pcp). The performance of the business during the year was solid primarily due to 6% or $17.1 million revenue growth, underpinned by higher production in Australia and the United States (US).

Both the US and Australia recorded operating costs within the guidance ranges previously advised to the market. Other costs were $3.0 million higher reflecting the increase in development activity to further progress attractive development opportunities in the US partially offset by lower corporate costs.

During the period the Wildwood I and Pumpjack projects in the US solar development pipeline were sold to Duke Energy Renewables resulting in a net profit on sale of investment of $4.4 million.

As a result Infigen has delivered Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) growth of 7% to $170.0 million and net operating cash flow of $96.2 million, after taking into account $16.8 million of interest rate swap termination costs.

Infigen repaid $35.3 million of Global Facility debt, directed $41.4 million in cash towards reducing liabilities to Class A tax equity members and applied $16.8 million in cash to pay interest rate swap termination costs, which together was $13.5 million ahead of the $80 million guidance. In addition Infigen refinanced its Woodlawn debt facility, reduced Woodlawn related borrowings by $1.9 million and repaid $4.0 million of its US Class A interests debt facility.

Accounting losses arise as Infigen's business is capital intensive with high gearing through the earlier years of the asset lives, which gives rise to higher initial interest expenses that reduce as the debt is repaid over time. Infigen believes its net operating cash flow or EBITDA are more pertinent measures of the financial performance of its operations. Further details are provided in Section 2.

1.2 Distributions

On 14 June 2011, Infigen advised that no FY11 final distribution would be paid and distributions would be suspended for FY12 and FY13. That initiative aimed to maximise the capital available to Infigen to repay debt and fund future opportunities.

As advised at subsequent Infigen Annual General Meetings, the sweeping of surplus cash flows from operating assets held within the Global Facility borrower group to repay debt, effectively serves to continue to preclude the payment of distributions to securityholders.

1.3 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) was steady at 1.2 at 30 June 2014.

Infigen recorded one lost time injury in FY13 and one in FY14. Infigen's total recordable injury rate (TRIR) fell from 11.0 to 9.8 over the same period.

2 Review of Financial Performance

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

Year ended ($M unless otherwise indicated)	30 June 2014	30 June 2013 (restated)	Change %
Revenue	273.3	259.7	5
EBITDA	169.2	143.0	18
Depreciation and amortisation	(123.9)	(114.1)	(9)
Significant item - Impairment	-	(39.4)	100
EBIT	45.4	(10.5)	532
Net borrowing costs	(75.5)	(74.8)	(1)
FX & allocation of return (interest)	4.2	(7.3)	158
Net Income from IEPs	31.2	8.2	280
Significant item - interest rate swap termination costs	(16.8)	-	n.m.
Loss before tax	(11.6)	(84.5)	86
Income tax benefit	2.7	4.5	(40)
Net loss after tax	(8.9)	(80.0)	89
Net operating cash flow	95.5	89.0	7
Net operating cash flow per security[1] (cps)	12.5	11.7	7
Earnings per security (cps) [2]	(1.2)	(10.5)	89

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 ($M unless otherwise indicated)	30 June 2014	30 June 2013 (restated)	Change %
Debt	1,075	1,059	(2)
Cash	81	121	(33)
Net debt	994	938	(6)
Tax equity liabilities	439	502	13
Securityholders' equity	492	484	2
Book gearing	66.9%	66.0%	0.9 ppt
EBITDA/(net debt + equity)	11.4%	10.1%	1.3 ppt
Net assets per security ($)	0.64	0.63	2
Net tangible assets per security ($)	0.31	0.27	15
Capital expenditure[3]	13.8	18.1	24

[1] Calculated using securities on issue at end of year
[2] Calculated using weighted average issued securities
[3] Represents the cash outflow in relation to capital expenditure

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 the 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 accounted for through "Net income of IEPs".

Following an IFRS change, which precludes the use of the proportional consolidation method previously employed, Infigen must now account for seven of its US joint ventures using the equity method. Under AASB 11 joint arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures which include certain institutional equity partnerships. Interests in joint ventures are accounted for in the consolidated financial statements using the equity method, after initially being recognised at cost in the consolidated balance sheet. For statutory purposes the share of profit of the following US joint ventures is recognised in the "Share of net profits of associates" line item: Sweetwater 1, 2 & 3 (50%), Sweetwater 4 & 5 (53%), Blue Canyon (50%), Combine Hills (50%), JB Wind[4] (59.3%).

Infigen internally reports, and believes that it is more useful to review, the financial performance of the business from an economic interest perspective and has therefore reconciled the economic and statutory presentation for the key Profit and Loss line items below.

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

Year ended 30 June 2014 ($M)	Statutory	Add: Allocate share of profit of associates	Less: US minority interests	Economic Interest
Revenue	273.3	47.6	(17.7)	303.2
Operating EBITDA	171.1	26.3	(11.9)	185.5
Other costs and income	(15.5)	-	-	(15.5)
Share of net profits of associates	13.7	(13.7)	-	-
EBITDA	169.2	12.6	(11.9)	170.0
Depreciation and amortisation	(123.9)	(26.7)	8.9	(141.7)
Significant item - Impairment	-	-	-	-
EBIT	45.4	(14.1)	(3.0)	28.3
Net borrowing costs	(75.5)	(0.2)	0.2	(75.5)
Allocation of return (interest)	4.2	-	-	4.2
Net income from IEPs	31.2	14.4	2.8	48.4
Significant item - interest rate swap termination costs	(16.8)	-	-	(16.8)
Loss before tax	(11.6)	0.1	-	(11.5)
Income tax benefit	2.7	(0.1)	-	2.6
Net loss	(8.9)	-	-	(8.9)

[4] Includes the Jersey Atlantic and Bear Creek wind farms

Year ended 30 June 2013 ($M)	Statutory	Add: Allocate share of profit of associates	Less: US minority interests	Economic Interest
Revenue	259.7	43.0	(16.5)	286.1
Operating EBITDA	164.6	23.5	(11.3)	176.8
Other costs and income	(18.6)	-	-	(18.6)
Share of net profits of associates	(3.0)	3.0	-	-
EBITDA	143.0	26.5	(11.3)	158.2
Depreciation and amortisation	(114.1)	(23.7)	7.6	(130.3)
Significant item - Impairment	(39.4)	(19.0)	-	(58.4)
EBIT	(10.5)	(16.2)	(3.7)	(30.5)
Net borrowing costs	(74.8)	(1.5)	0.4	(76.0)
FX & allocation of return (interest)	(7.3)	-	-	(7.3)
Net income from IEPs	8.2	17.8	3.3	29.3
Loss before tax	(84.5)	-	-	(84.5)
Income tax benefit	4.5	-	-	4.5
Net loss	(80.0)	-	-	(80.0)

2.2 Significant transactions that occurred in FY14

On 13 November 2013 Infigen announced that it had entered into agreements to acquire various Class A interests in nine of its US wind farm projects for US$95 million, inclusive of upfront financing costs. The acquired interests are primarily interests in the future cash flow from those projects. The acquisition was financed through utilising US$37 million of Infigen's existing cash holdings and a new US$58 million debt facility provided by Union Bank for a term of 10.5 years. More than 90% of the future interest expense was hedged with interest rate derivatives.

For further information refer to Appendix C.

2.3 Review of statement of income

Year ended ($M unless otherwise indicated)	30 June 2014	30 June 2013	Change %
Revenue	303.2	286.1	6
Operating EBITDA	185.5	176.8	5
Other costs and income	(15.5)	(18.6)	17
EBITDA	170.0	158.2	7
Depreciation and amortisation	(141.7)	(130.3)	(9)
Significant item - Impairment	-	(58.4)	100
EBIT	28.3	(30.5)	193
Net borrowing costs	(75.5)	(76.0)	1
FX & allocation of return (interest)	4.2	(7.3)	158
Net income from IEPs	48.4	29.3	65
Significant item - interest rate swap termination costs	(16.8)	-	n.m.
Loss before tax	(11.5)	(84.5)	86
Income tax benefit	2.6	4.5	(42)
Net loss	(8.9)	(80.0)	89

Foreign exchange rates	30 June 2014	30 June 2013	Change %
AUD:USD (average rate)	0.9179	1.0242	(10)
AUD:EUR (average rate)	0.6764	0.7941	(15)
AUD:USD (closing rate)	0.9420	0.9275	2
AUD:EUR (closing rate)	0.6906	0.7095	(3)

Revenue was $303.2 million, up 6% or $17.1 million reflecting higher overall production and favourable FX movement, offset by lower compensated revenue and lower Large-scale Generation Certificate (LGC) prices in Australia.

- In Australia, revenue decreased $0.9 million or 1% to $145.4 million as a result of lower LGC prices (-$6.7 million), lower merchant electricity prices (-$2.4 million) and higher compensated revenue in the prior year (-$3.0 million), offset by higher production (+$9.9 million), contracted CPI increase (+$0.7 million) and a favourable marginal loss factor (MLF) movement (+$0.6 million).
- In the US, revenue increased 1% or US$2.0 million to US$144.9 million[5] reflecting higher production (+US$1.9 million) and higher Renewable Energy Credit (REC) revenue (+US$1.3 million) offset by lower electricity prices (-US$0.6 million) and lower compensated and other revenue (-US$0.6 million).

[5] Includes asset management revenue related to third party IAM activity

Operating Earnings Before Interest, Tax, Depreciation and Amortisation (**Operating EBITDA**) was $185.5 million, up 5% or $8.7 million. This was primarily due to:

- Australia: a 1% or $0.7 million decrease in operating EBITDA to $109.3 million reflecteing lower LGC prices and lower compensated revenue, slightly offset by lower operating costs – including savings in payroll costs from reduction to staff head count and professional fees that occurred in pcp, offset by higher turbine O&M incentive payments.
- US: a 3% or US$1.9 million increase to US$70.0 million reflecting higher revenue from higher production and higher REC revenue, and steady operating costs.
- FX: the depreciation of the Australian Dollar (AUD) against the US Dollar (USD) resulted in a $7.6 million EBITDA benefit.

Other income of $4.4 million represents the gain on sale of two US solar development assets during the year.

Development costs expensed were $6.3 million, up 91% or $3.0 million primarily reflecting costs of further progressing attractive development opportunities in the US and steady costs in the Australian business.

Corporate costs were $13.6 million, down 4% or $0.5 million. This was primarily due to the organisational restructure and cost saving initiatives announced in February 2013 partially offset by costs associated with undertaking market testing for the potential sale of Capital wind farm.

EBITDA was $170.0 million, up 7% or $11.8 million reflecting higher operating EBITDA and lower corporate costs partially offset by higher development costs.

Depreciation and amortisation expense was $141.7 million, 9% or $11.4 million higher than the prior year largely due to FX movements.

Earnings Before Interest and Tax (**EBIT**) was $28.3 million, 193% or $58.7 million higher. The prior year's EBIT included an impairment charge of $58.4 million in relation to the US cash generating unit.

Net borrowing costs were $75.5 million, down 1% or $0.5 million. Interest expense reduced by $0.9 million due to lower outstanding Global Facility and Woodlawn facility borrowings partially offset by interest expense related to the new Union Bank facility. Higher bank fees (+$1.3 million) primarily related to the refinancing of the Woodlawn project finance facility and the new Union Bank facility and lower interest income (-$1.3 million) due to lower cash balances were offset by lower amortisation of decommissioning costs (-$2.3 million).

Year ended ($M)	30 June 2014	30 June 2013	Change %
Interest expense	(70.7)	(71.6)	1
Bank fees & amortisation of loan costs	(5.6)	(4.3)	(30)
Amortisation of decommissioning costs	(0.3)	(2.6)	88
Total Borrowing costs	**(76.6)**	**(78.5)**	**2**
Interest income	1.1	2.4	(54)
Net borrowing costs	**(75.5)**	**(76.0)**	**1**

Year ended ($M)	30 June 2014	30 June 2013	Change %
FX gain/(loss)	1.7	(9.1)	119
Non-hedge FX derivatives	(2.2)	1.5	(247)
Non-hedge interest rate derivatives	0.3	0.3	-
Non-hedge electricity derivatives	0.2	-	n.m.
FX gain/(loss) & revaluation of derivatives	**-**	**(7.3)**	**100**
Allocation of return (interest)	4.2	-	n.m.
Interest rate swap termination costs	(16.8)	-	n.m.

The **foreign exchange gain** of $1.7 million was due to the appreciation of the AUD and revaluation of the USD and EUR debt held by an Australian company within the Group at 30 June 2014, and was offset by movements in non-hedge derivatives.

The **allocation of return** of $4.2 million relates to the investment in Class A interests in the US.

Termination of interest rate swaps resulted in an expense of $16.8 million and was recorded in significant items. As a result of hedge accounting, this item had already been reflected in securityholders' equity in prior periods.

Net income from US IEPs[6] was $48.4 million, up 65% or $19.1 million compared with $29.3 million in the pcp. Further details are available in Appendix B including an explanation of the structure of IEPs (including accounting treatment).

Income tax benefit of $2.6 million was $1.9 million lower than the prior year.

Infigen reported a **net loss after tax** for the year of $8.9 million, a favourable movement of $71.1 million compared with the prior year. Excluding the interest rate swap termination costs, Infigen earned a **net profit after tax** but before significant items of $7.9 million.

[6] Institutional Equity Partnerships

3 Cash Flow

3.1 Cash movement

Cash at 30 June 2014 was $83 million, 33% or $41 million lower than 30 June 2013. The cash balance at 30 June 2014 comprises $23 million held by entities within the Global Facility Borrower Group[7] with $61 million ($105 million at 30 June 2013) held by entities outside of that group ('Excluded Companies').

Cash inflows for the year included $96.2 million of net operating cash flow (including $16.4 million of distributions from the investment in Class A interests), $113.9 million of proceeds from borrowings related to the investment in Class A interests and the refinance of Woodlawn wind farm (refer to Section 4.1), and $8.3 million in proceeds from the sale of solar PV development projects in the US.

Cash outflows were $100 million for the investment in US Class A interests, $98.6 million for debt repayments (including capitalised costs associated with obtaining financing (refer to Section 4.1), $41.4 million in distributions to US IEP Class A members, $15.7 million for development and property plant and equipment (PP&E) capex and $3.8 million unrealised FX gains on cash balances held in USD and EUR due to the depreciation of the AUD.

Expenditure on PP&E and development included $4.0 million in Australia for development pipeline activity ($2.1 million) and wind farm and IT systems ($1.9 million) including balance of plant equipment modifications and communication upgrades. In the US payments of $10.4 million comprised wind farm capex of $9.0 million primarily related to a turbine replacement at Allegheny Ridge following a nacelle fire, expenditure related to the post-warranty agreements at sites with Gamesa turbines, and major component replacements at sites not covered by post warranty agreements. $1.4 million related to US solar PV development activities.

The $44.0 million reduction in cash held by Excluded Companies is largely due to the equity investment made in Class A interests and the operating and capital expenditure related to development in the US and Australia, partially offset by income received from the investment in Class A interests, the proceeds from the sale of US solar PV developments and the net income from Woodlawn after refinancing costs.

3.2 Net Operating Cash Flow (NOCF)

Year ended ($M)	30 June 2014	30 June 2013	Change %
Operating EBITDA	185.5	176.8	5
Corporate, development & other costs	(15.5)	(18.6)	17
Movement in working capital & non-cash items	(4.2)	(2.0)	(110)
Net financing costs and taxes paid	(69.2)	(72.1)	4
Distributions received from financial assets[8]	16.4	-	n.m.
NOCF before significant items	**113.0**	**84.2**	**34**
Interest rate swap termination costs	(16.8)	-	n.m.
Net operating cash flow	**96.2**	**84.2**	**14**
NOCF of associates and joint ventures	(13.0)	(8.7)	(49)
NOCF of non-controlling interests	12.2	13.6	(10)
Operating cash flow (statutory)	**95.5**	**89.0**	**7**

[7] Infigen's borrowings include a multi-currency Global Facility secured by Infigen's interests in all of its operational wind farms except Woodlawn and Infigen's US Class A interests - 'the Borrower Group'

[8] Investments in US Class A interests

Net operating cash flow was $96.2 million, 14% or $12.0 million higher than the pcp due to distributions received from investments in US Class A interests (+$16.4 million), higher EBITDA (+$11.8 million) and lower net financing costs and taxes paid (+$2.9 million) partially offset by interest rate swap termination costs (-$16.8 million) and adverse movements in working capital (-$2.2 million).

4 Capital Management

4.1 Debt

At 30 June 2014 total borrowings[9] (including capitalised loan costs) were $1,076.5 million[10] comprising Global Facility borrowings ($979.5 million), Woodlawn project finance ($50.0 million) and the Union Bank facility ($57.6 million), with $12.1 million attributable to capitalised loan costs. This was $16.5 million higher than the pcp due to the $62.2 million drawdown of the Union Bank facility offset by $35.3 million in Global Facility debt repayments, a $1.9 million net decrease in Woodlawn project finance facility borrowings, and $4.0 million in Union Bank facility debt repayments. Net loan costs capitalised and foreign exchange differences had the effect of reducing the reported borrowings by $4.5 million.

The Woodlawn project finance facility was refinanced with Westpac Banking Corporation and Clean Energy Finance Corporation during the year. The new facility was arranged to finance both Woodlawn and the proposed Capital solar farm. December 2018 is the earliest maturity date for 50% of the new facility. The terms of the facility include review events for changes in regulatory conditions that affect the expected future price of electricity and LGCs. The review events provide an agreed mechanism by which the facility can be re-sized after a specified review event has occurred. The repeal of the carbon pricing mechanism in July 2014 triggered a review event and as a result a portion of the cash generated by Woodlawn in FY15 has been applied to fund debt prepayment.

The average margin across all facilities was 134 basis points. Infigen has interest rate hedges in place for the majority of its borrowings.

Forward prices for electricity in Australia have declined materially following the removal of the carbon price and due to the softening of National Electricity Market demand - which has declined approximately 8% over the last five years. The uncertainty concerning the Australian Government's intentions for the future of the Renewable Energy Target (RET) has also resulted in low LGC market prices. If there is a sustained improvement to the regulatory outlook then LGC prices should materially increase leading to an improvement in operating conditions.

Infigen expects to continue to satisfy the Global Facility leverage ratio covenant in conformity with the terms of the facility in the short term. In the event that weak Australian LGC and electricity prices persist, Infigen will likely need to use mitigants or remedies available under the Global Facility in order to satisfy the leverage ratio covenant test in future testing periods. Foreign exchange (FX) risk also becomes increasingly relevant as the operating cash flow from Infigen's US assets is progressively reallocated to the Class A members, given that a substantial portion of the Global Facility borrowings is USD denominated. Deterioration of the Australian dollar against the US dollar would therefore place additional pressure on leverage ratio covenant compliance.

[9] Further information is available in note 17 to the financial statements

[10] $1,075 million on a statutory basis, which includes $1.5 million joint venture borrowings

Should Infigen utilise available mitigants or remedies to support Global Facility leverage ratio compliance, this is likely to involve applying cash currently held in Excluded Companies. Excluded Company cash could be contributed to the Global Facility Borrower Group, with any contributed amount then applied to repay Global Facility debt semi-annually in accordance with the terms of the facility. If the current Australian RET review were to result in significant value destruction to Infigen's existing assets, or if current market conditions continue for an extended period, then Infigen would consider carefully whether the use of Excluded Company cash for those purposes was then appropriate.

The Global Facility leverage ratio covenant was met at 30 June 2014.

4.2 Net debt

Net debt for the consolidated entity (economic interest) increased from $938 million at 30 June 2013 to $994 million at 30 June 2014. The net movement of $56 million was primarily due to new borrowings in the year related to the investment in Class A interests.

4.3 Equity

Total equity increased 2% from $484.0 million at 30 June 2013 to $492.1 million at 30 June 2014. The increase of $8.1 million is attributable to:

- the net loss for the period (-$8.9 million);
- a change in the fair value of interest rate hedges (+$22.4 million);
- exchange difference on the translation of foreign operations and movement in fair value of net investments (-$6.3 million); and
- net increase in the share based payments reserve (+$0.8 million).

During the year the number of securities on issue increased by 2,727,462 to 764,993,434. These securities were issued to key management personnel as deferred remuneration under the short term incentive plan.

4.4 Gearing

The following table provides a comparison of Infigen's book gearing (economic interest) at 30 June 2013 and 30 June 2014. The change reflects the movements in net debt and equity described above.

As at ($M)	30 June 2014	30 June 2013	Change %
Net debt	994	938	(6)
Total equity	492	484	2
Book gearing	**66.9%**	**65.9%**	**1.0 ppts**
US IEP tax equity[11]	516	589	12
Total gearing	**75.4%**	**75.9%**	

A balance sheet by country is provided in Appendix A.

[11] Refer to Appendix B

5 Operational Performance Review

5.1 Business overview

In the US, Infigen has an operating capacity of 1,089 MW (Class B interest) comprising 18 wind farms. Of these, 14 have Power Purchase Agreements (PPAs) that account for 872 MW of the operating capacity, one of which (4 MW of capacity) generates revenue both through a PPA and on a merchant basis. The four remaining wind farms (215 MW) operate purely on a merchant basis.

Fifteen of Infigen's US wind farms continue to generate Production Tax Credits (PTCs) which apply for 10 years from the date of first commercial operation. Wind farms that no longer qualify for PTCs are Sweetwater 1, Blue Canyon and Combine Hills. PTCs are worth US$23 per MWh for the 2014 calendar year.

Each wind farm is entitled to one PTC per MWh of production. The Group accounts for PTCs as other income in the period that the credit is derived, on the basis that it reduces the liability to the Class A members. Further information on Infigen's US Institutional Equity Partnerships is provided in Appendix B.

In Australia, Infigen has an operating capacity of 557 MW comprising six wind farms, namely the 89.1 MW Alinta wind farm in Western Australia (WA), the three Lake Bonney wind farms in South Australia (SA) with capacities of 80.5 MW, 159 MW and 39 MW respectively, and the 140.7 MW Capital and 48.3 MW Woodlawn wind farms in New South Wales (NSW). Infigen holds a 100% equity interest in each of its Australian wind farms.

Infigen sells the output from its Australian wind farms through 'run of plant' PPAs and LGC sales agreements, retail supply agreements and on a merchant basis (wholesale electricity and LGC markets). Output from the Lake Bonney 1 and Alinta wind farms is sold under contracts. The majority of the capacity of the Capital wind farm is contracted to meet demand from the Sydney Desalination Plant under a long term retail supply agreement, while a small component of the output is sold on a merchant basis. Output from the Lake Bonney 2 & 3 and the Woodlawn wind farms is sold on a merchant basis. Of Infigen's six operational Australian wind farms, 40% of annual P50 production is currently contracted under medium and long term agreements.

Each wind farm is entitled to create one LGC for each MWh that is exported to the grid after applying the marginal loss factor.

5.2 United States

Year ended	30 June 2014	30 June 2013	Change	Change %
Operating capacity (MW)	1,089	1,089	-	-
Production (GWh)	3,098	3,089	9.0	-
P50 production (GWh)	3,313	3,313	-	-

US Business	30 June 2014	30 June 2013	Change	Change %
Total revenue (US$M)	144.9	142.9	2.0	1
Operating costs (US$M)	74.9	74.8	(0.1)	-
Operating EBITDA (US$M)	70.0	68.1	1.9	3
EBITDA margin	48.3%	47.7%	-	0.6 ppt
Average price (US$/MWh)	45.5	45.0	0.5	1
Operating costs (US$/MWh)	24.2	24.2	-	-
PTCs (US$M)	67.7	71.1	(3.4)	(5)

US Business Translation to AUD				
Revenue (A$M)	157.8	139.8	18.0	13
Operating EBITDA (A$M)	76.2	66.8	9.4	14

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).

Key achievements in the US region during the year included:

- **Delivery of steady operating costs** within the guidance range of US$73 - $76 million.
- **The acquisition of US Class A interests**, improving total cash flow to the business.
- **The profitable sale of Wildwood I and Pumpjack** solar PV development projects.
- **Enhancement of the solar development pipeline**, which now accounts for over 780 MW of late, mid and early stage projects across six states.

5.2.1 Production

Year ended	30 June 2014	30 June 2013	Change
Operating capacity (MW)	1,089	1,089	-
Capacity factor	32.5%	32.4%	0.1 ppt
Turbine availability	96.0%	96.1%	(0.1) ppt
Site availability	95.2%	95.2%	-
Production (GWh)	3,098	3,089	9

Site availability of 95.2% was in line with the prior year and turbine availability decreased 0.1 percentage points to 96.0% due to certain sites that were transitioning onto the new Gamesa warranty agreements.

Production increased 9 GWh or 0.3% to 3,098 GWh primarily due to better wind conditions across all regions other than the South Central, offset by lower Gamesa turbine availability at Mendota and GSG due to inspections, maintenance and repairs.

Improved wind conditions and turbine availability at Cedar Creek (+27 GWh) and Caprock (+23 GWh) together with improved wind conditions at Allegheny (+22 GWh) contributed to increased production. This was partially offset by lower production at GSG (-28 GWh) and Mendota (-19 GWh) primarily due to lower turbine availability, and lower production at Sweetwater 4 (-16 GWh) due to less favourable wind conditions.

5.2.2 Price

Approximately 80% of Infigen's US capacity is contracted for a weighted average duration of 10.5 years. The capacity contracted and the PPA expiry dates are provided in the following table.

Wind Farm	Equity MW	PPA End Date
Sweetwater 2	45.8	Feb-17
Buena Vista	38.0	Apr-17
Sweetwater 3[12]	16.9	Dec-17
Blue Canyon	37.1	Jan-23
Cedar Creek	200.3	Nov-27
Combine Hills	20.5	Dec-27
Sweetwater 1	18.8	Dec-23
Caprock	80.0	Dec-24
Sweetwater 3[12]	50.6	Dec-25
Kumeyaay	50.0	Dec-25
Bear Creek	14.2	Mar-26
Aragonne Mesa	90.0	Dec-26
Sweetwater 4	127.6	May-27
Jersey Atlantic	2.2	Mar-26
Allegheny Ridge	80.0	Dec-29
Total	872.0	

[12] Note there are two PPAs related to the Sweetwater 3 wind farm

The simple average electricity price (total wind farm revenue divided by total production) of US$45.5/MWh was 1% higher compared to US$45.0/MWh in the pcp. This was due to higher merchant electricity prices as a result of severe winter conditions and higher PJM REC prices, partially offset by lower average prices from Crescent Ridge following the expiration of its PPA in the pcp.

The PJM and ERCOT time weighted average (TWA) and dispatch weighted average (DWA) prices for the year are outlined below.

Time weighted average

Period (US$/MWh)	FY14	FY13	Change %
PJM-AECO (Jersey Atlantic)	53.62	38.26	40
PJM-CE (GSG, Mendota & Crescent Ridge)	39.47	31.59	25
ERCOT-W (Sweetwater 5)	36.62	29.55	24

Dispatch weighted average

Period (US$/MWh)	FY14	FY13	Change %
PJM-AECO (Jersey Atlantic)	37.66	30.14	25
PJM-CE (GSG & Mendota)	32.23	25.57	26
PJM-CE (Crescent Ridge)	34.55	n/a[13]	
ERCOT-W (Sweetwater 5)	30.74	21.08	46

Infigen's merchant DWA price was 30%, 18%, 12% and 16% less than the TWA price in the PJM-AECO, PJM-CE, PJM-CE (including Crescent) and ERCOT-W markets respectively during the period.

Fundamentally the PJM REC market is adequately supplied, however, availability of RECs through the '*over-the-counter*' market has been limited resulting in average market prices trading at US$14.6/REC compared to US$4.5/REC in the prior year.

The ERCOT REC average market prices were trading at US$1.3/REC compared to US$0.8/REC in the prior year.

5.2.3 Revenue

Revenue increased 1% or US$2.0 million to US$144.9 million[14] reflecting higher production (+US$1.9 million) primarily at Allegheny, Cedar Creek and Caprock and higher REC revenue (+US$1.3 million), offset by lower electricity prices (-US$0.6 million) related to expiration of the PPA at Crescent Ridge in the pcp, and lower compensated and other revenue (-US$0.6 million) primarily due to insurance proceeds received in the pcp, partially offset by liquidated damages in relation to the Gamesa extended warranty agreements.

[13] Crescent Ridge's PPA expired at the end of FY13

[14] Includes asset management revenue related to third party IAM activity

5.2.4 Operating costs

Year ended (US$M)	30 June 2014	30 June 2013	Change	Change %
Asset management[15]	13.8	15.9	2.1	13
Turbine O&M	35.6	33.1	(2.5)	(8)
Balance of plant	8.1	6.9	(1.2)	(17)
Other direct costs	17.4	18.9	1.5	8
Total operating costs	**74.9**	**74.8**	**(0.1)**	**-**

Total operating costs increased US$0.1 million to US$74.9 million reflecting:

- US$2.1 million decrease in asset management costs primarily reflecting lower legal costs following the resolution of the Gamesa dispute (-US$2.4 million) and savings following the organisational restructure and cost savings initiatives implemented in early 2013 (-US$0.6 million), partially offset by transaction costs associated with the acquisition of Class A interests (+US$1.0 million);
- US$2.5 million increase in turbine O&M costs due to higher Gamesa O&M and turbine warranty costs (+US$3.5 million) and higher MHI bonus payments (+US$0.4 million), offset by reduced component and consumable expenses (-US$1.5 million);
- US$1.2 million increase in balance of plant costs associated with road maintenance and equipment repairs at Aragonne and Cedar Creek (+US$0.7 million), and routine maintenance and equipment upgrades (+US$0.5 million); and
- US$1.5 million decrease in other direct costs associated with lower transmission and connection fees and lower insurance and tax expenses.

5.2.5 Operating EBITDA

Operating EBITDA for the US business increased US$1.9 million or 3% to US$70.0 million reflecting higher revenue.

Operating EBITDA margin was 48.3% compared with 47.7% in the prior year reflecting higher revenue and steady cost outcomes.

5.2.6 Depreciation and amortisation

Depreciation and amortisation decreased US$0.5 million to US$81.8 million.

Infigen depreciates its US wind farms and associated plant using the straight line method over 25 years.

[15] Includes asset management costs related to third party IAM activity

5.2.7 Development

During the year the development team continued to advance the Wildwood I and Pumpjack projects in the solar photovoltaic (PV) development pipeline and sold the projects to Duke Energy Renewables, a business unit of Duke Energy. These two projects are the first of a multi-stage development opportunity that Infigen has cultivated within California.

These transactions demonstrate Infigen's capabilities to realise value from its development pipeline where opportunities arise.

The development team completed interconnection studies for the Rio Bravo I and Wildwood II projects in California, and initiated the development of additional solar PV projects in New York and California.

Infigen's US development pipeline now accounts for over 780 MW of late, mid and early stage projects in six states.

5.3 Australia

Year ended ($M) unless stated otherwise	30 June 2014	30 June 2013	Change	Change %
Operating capacity (MW)	557	557	-	-
Production (GWh)	1,572	1,516	56	4
P50 production (GWh)	1,599	1,599	-	-
Total revenue ($M)	145.4	146.3	(0.9)	(1)
Operating costs ($M)	(36.1)	(36.3)	0.2	1
Operating EBITDA ($M)	109.3	110.0	(0.7)	(1)
Operating EBITDA margin (%)	75.2	75.2	-	-
Average price (A$/MWh)	92.5	96.6	(4.1)	(4)
Operating costs (A$/MWh)	23.0	23.9	0.9	4

Infigen's operating capacity in Australia remained at 556.7 MW during the period.

Key achievements during the year included:

- **Strong operating EBITDA performance** in a challenging market driven by improved wind conditions and by delivering operating costs of $36.1 million, within the guidance range of $35 to $37 million.
- **Improved operational performance** from generation assets through enhanced energy market activities and aligning OEM servicing to market conditions.
- **Capital East solar demonstration facility** - the first stage (approximately 130 kW) of the facility was completed and registered as a generator with AEMO in September 2013.
- **Development** approvals received for Bodangora, Cherry Tree and Flyers Creek wind farms with a total proposed installed capacity of approximately 300 MW.

5.3.1 Production

Year ended	30 June 2014	30 June 2013	Change
Operating capacity (MW)	557	557	-
Capacity factor	32.2%	31.1%	1.1 ppt
Turbine availability	97.2%	97.6%	(0.4) ppt
Site availability	96.6%	96.8%	(0.2) ppt
Production (GWh)	1,572	1,516	56

Production increased 4% or 56 GWh to 1,572 GWh. The pcp included 40 GWh of compensated production, therefore on a normalised basis production increased 6% or 96 GWh from 1,476 GWh to 1,572 GWh as a result of better wind conditions.

Higher production was primarily due to better wind conditions at all wind farms except Alinta (+102 GWh), lower network constraints (+11 GWh) and higher turbine availability (+4 GWh) at Alinta. This was partially offset by lower wind conditions at Alinta (-7 GWh), increased network constraints at Lake Bonney (-6 GWh) due to line works, and lower turbine availability due to equipment failures at Capital (-6 GWh).

5.3.2 Prices

Electricity

The TWA spot electricity prices in SA and NSW were 12% and 5% lower than the pcp respectively due to lower demand and the non-recurrence of market events that led to high price events in the pcp.

TWA wholesale electricity ($/MWh)	FY14	FY13	10 Year Average
SA (Lake Bonney)	61.71	69.75	49.96
NSW (Capital & Woodlawn)	52.26	55.10	43.37

Infigen's DWA electricity prices decreased 6% to $55.17/MWh in SA and 3% to $52.91/MWh in NSW. The decreases broadly correlate with the TWA price decreases in each region.

Average spot prices in Australia can be significantly influenced by short term extreme price events. Wholesale electricity spot prices can vary between the market price floor of -$1,000/MWh and the market price cap of $13,100/MWh.

During the year there were only seven half-hourly settlement prices above $300/MWh in NSW and 74 in SA. There were also 33 half-hourly settlement prices in SA above $1,000/MWh largely driven by competitive bidding, plant failures, low wind, high demand and transmission constraints.

Large-scale Generation Certificates (LGCs)

Period ($/MWh)	FY14	FY13	Change %
Large-scale Generation Certificates	30.84	35.94	(14)

The average merchant LGC price for the year of $30.84/LGC was 14% lower compared to an average price of $35.94/LGC in the prior year. The closing LGC price at 30 June 2014 was $28.50/LGC compared to $33.25/LGC at 30 June 2013.

Bundled pricing

The realised weighted average portfolio bundled (electricity and LGCs) price was $92.5/MWh, 4% lower than $96.6/MWh realised in the prior year. This reflected lower dispatch weighted wholesale electricity prices from mild weather and lower demand, and lower average LGC prices due to regulatory uncertainty.

5.3.3 Revenue

Revenue decreased $0.9 million or 1% to $145.4 million as a result of lower LGC prices (-$6.7 million), lower electricity prices (-$2.4 million) and higher compensation in prior year (-$3.0 million), offset by higher production (+$9.9 million), contracted CPI increase (+$0.7 million) and favourable MLF movement (+$0.6 million).

5.3.4 Operating Costs

Infigen's Australian wind turbines are covered by their Original Equipment Manufacturer's warranty (Suzlon) or post-warranty service agreements (Vestas). This contributes to stability and predictability of wind farm costs.

Year ended (A$M)	30 June 2014	30 June 2013	Change	Change %
Asset management	6.0	7.0	1.0	14
Turbine O&M	18.3	17.2	(1.1)	(6)
Balance of plant	1.6	0.9	(0.7)	(78)
Other direct costs	7.3	7.5	0.2	3
Total wind farm costs	**33.1**	**32.6**	**(0.5)**	**(2)**
Energy Markets	3.0	3.7	0.7	19
Total operating costs	**36.1**	**36.3**	**0.2**	**1**

Total operating costs decreased $0.2 million or 1% to $36.1 million. The key variances include:

- $1.0 million decrease in asset management costs due to the organisational restructure and cost saving initiatives undertaken in early 2013 (-$0.8 million) and savings in professional fees due to one-off legal costs in relation to the AEMO dispute that were incurred in pcp (-$0.2 million);
- $1.1 million increase in turbine O&M costs associated with higher unscheduled turbine maintenance costs at Alinta (+$0.5 million), higher variable payments due to higher generation (+$0.4 million) and higher incentive payments for exceeding contract availabilities across the wind farms with Vestas turbines (+$0.2 million);
- $0.7 million increase in balance of plant costs associated with scheduled maintenance programs (+$0.5 million) and higher unscheduled works (+$0.2 million);
- $0.2 million decrease due to lower insurance costs; and
- $0.7 million lower professional fees for Energy Markets activities.

5.3.5 Operating EBITDA

Operating EBITDA decreased $0.7 million or 1% to $109.3 million reflecting lower LGC prices and lower compensated revenue, slightly offset by lower operating costs – including savings in payroll costs from reduction to staff head count and professional fees that occurred in the pcp.

EBITDA margin of 75.2% was in line with the prior year.

5.3.6 Depreciation and amortisation

Depreciation and amortisation (including corporate assets) increased $1.7 million to $52.6 million reflecting higher decommissioning costs, plant and IT system additions and write-offs.

Infigen depreciates its Australian wind farms and associated plant using the straight line method over 25 years.

5.3.7 Development

During the year development consent was received for Bodangora and Flyers Creek wind farms in New South Wales, and Cherry Tree wind farm in Victoria. The Capital solar farm has been progressed to a very advanced stage.

Work to advance the development pipeline continued in areas of wind and solar resource monitoring, connection negotiations, securing lease options and licences, and community initiatives.

Options for a circa 55 km easement and to acquire land were secured to facilitate the connection of the proposed 450 MW Woakwine wind farm in South Australia. This enables access into the Victorian high voltage network.

Agreement was reached with TransGrid to expand the Woodlawn connection point agreed capability to accommodate the proposed Capital solar farm and Capital 2 wind farm.

Construction of the first stage of the Capital East solar farm, a solar photovoltaic (PV) and energy storage demonstration facility (approximately 130 kW) including 10 kW of solar modules from several different suppliers, was completed. The experience gained from this project will benefit future large-scale solar PV projects.

6 Outlook

Infigen begins the 2015 financial year (FY15) with a goal of maintaining steady operational performance, further reducing Global Facility and IEP liabilities and improving the capital structure of the business.

In Australia, the acute regulatory uncertainty that has developed since the Australian Government's appointment of a Panel to conduct another review of the legislated Renewable Energy Target (RET) has resulted in poor liquidity in the LGC market and a significant decline in LGC prices. The LGC spot market price is currently below $30 levels having traded in the low $20s in June 2014. The outlook for LGC prices remains highly uncertain, with a recovery in LGC prices predicated on lasting restoration of regulatory certainty.

Wholesale electricity prices in Australia have also declined significantly following the repeal of the carbon price (which took effect from 1 July 2014) and due to demand reduction in the National Electricity Market of approximately 8% over the last five years. As a result, subject to the outcome of the RET review, the average bundled price across Infigen's Australian portfolio is expected to be around 10% lower than FY14 based on current forward markets.

In the US, average prices are expected to be only slightly higher than in FY14 due to slightly higher expected merchant prices and some indexation related increases.

In FY15:

- US operating costs are forecast to be between US$76 and US$78 million (including Infigen Asset Management costs)
- Australian operating costs are forecast to be between A$36 and A$38 million (including Energy Markets costs)
- US production is expected to improve primarily due to improved availability across the Gamesa fleet, and
- Australian production is expected to be broadly in line with FY14.

Cash flow to Infigen from its Class B interests in US wind farms is expected to be approximately US$33 million. Subject to the outcome of the RET review, the total cash flow that we expect to have available to repay Global Facility debt and distribute to US Class A tax equity members will be approximately $90 million.

In FY15, Infigen will continue to pursue certain growth opportunities. In the US, the development team will continue to advance the solar development pipeline including new projects in California and New York. In Australia, the development team will continue to explore opportunities that are supported by State and Territory Government initiatives.

The outlook for Infigen's Australian business is currently highly uncertain. This is primarily attributable to regulatory instability caused by the latest RET review and associated industry and political positioning and commentary. The current review commenced just 14 months after the last review was concluded. The review Panel's report is expected to be released imminently. Recent media reports indicate that the Australian Government may be considering significant adverse changes to annual targets, subject to enactment of necessary legislation. Significant reductions to the annual targets would have a material adverse effect on the Australian renewable energy industry, including Infigen, unless appropriate grandfathering or other effective arrangements were implemented to reflect the fact that existing investments were made in good faith in pursuit of explicit Commonwealth objectives and legislation.

LGC prices are currently significantly below those required to sustain existing investment or encourage new investment. If this were to continue it would likely lead to significant asset impairments across the industry, including for Infigen. Continuing depressed prices would also create significant pressure on Infigen's capacity to meet financial covenants in our borrowing facilities.

7 Appendix A – Balance Sheet by Country

A$M	30-Jun-14 IFN Statutory Interest	Add: US Equity Accounted Investments	Less: US Minority Interest	30-Jun-14 IFN Economic Interest	Australia	United States
Cash	80.7	2.8	(0.6)	82.9	69.5	13.5
Receivables	30.0	5.5	(1.4)	34.1	24.8	9.3
Inventory	16.2	1.3	(0.3)	17.2	12.9	4.3
Prepayments	12.2	1.2	(0.1)	13.2	6.5	6.8
PPE	1,895.4	435.6	(149.8)	2,181.2	875.5	1,305.6
Goodwill & intangibles	257.1	(3.5)	(13.5)	240.1	124.4	115.7
Investments in financial assets & other assets	88.1	(1.0)	(0.7)	86.4	2.6	83.8
Investment in associates	96.3	(96.3)	-	-	-	-
Deferred tax assets	50.5	-	(0.1)	50.4	50.4	-
Total assets	**2,526.4**	**345.5**	**(166.5)**	**2,705.5**	**1,166.5**	**1,539.0**
Payables	32.4	2.8	(2.4)	32.8	7.4	25.3
Provisions	22.0	7.5	(1.9)	27.6	10.9	16.7
Borrowings	1,075.0	1.4	-	1,076.5	693.6	382.9
Tax equity (US)	439.4	190.0	(113.5)	515.9	-	515.9
Deferred benefits (US)	333.3	143.7	(48.7)	428.3	-	428.3
Derivative liabilities	132.3	-	-	132.3	103.7	28.6
Total liabilities	**2,034.4**	**345.5**	**(166.5)**	**2,213.4**	**815.6**	**1,397.8**
Net assets	**492.1**	**-**	**(0.0)**	**492.1**	**350.9**	**141.2**

Foreign exchange rates as at	30 June 2014	30 June 2013	Change %
USD	0.9420	0.9275	2
EUR	0.6906	0.7095	(3)

8 Appendix B – Institutional Equity Partnerships

Infigen holds interests in 12 limited liability companies (Institutional Equity Partnerships or IEPs), which in turn hold interests in 18 wind farm projects in the US.

The capital structure of each IEP comprises Class A membership interests and Class B membership interests.

8.1 Funding

Each IEP is funded on a stand-alone, non-recourse basis for Class A and Class B members (Infigen is for the most part a Class B member[16]).

The long term equity funding is contributed by Class A members and Class B members, in varying proportions – depending on the IEP, Class A Members have contributed between 50% and 80% of initial capital and the Class B members have contributed the remainder.

Generally, holders of Class A membership interests are institutional investors.

Infigen holds mostly Class B membership interests. Infigen's interest ranges from 50% to 100% of total Class B membership interests in any given IEP.

8.2 Economic interests

The membership interests in the IEPs have rights to two types of economic interests:

- Tax allocations (including taxable income/loss and production tax credits (PTCs)); and
- Cash distributions.

The Class A and Class B members have varying entitlements to the economic interests depending on the stage that the wind farms are in during their lifespan as follows:

Membership interest	Stage 1: Until the earlier of Class B capital repaid or a fixed date*	Stage 2: After Stage 1 and until the reallocation date	Stage 3: Post reallocation date
Class A	All taxable income/loss and PTCs	All taxable income/loss, PTCs and cash distributions	Depending on the IEP, between 5%-25% of taxable income/loss, PTCs and cash distributions
Class B	All cash distributions	Nil	Depending on the IEP, between 75%-95% of taxable income/loss, PTCs and cash distributions

***** The fixed date is one that is, at the time that capital is initially contributed, expected to be later than the date by which the Class B capital is expected to be repaid.

[16] In FY14 Infigen acquired certain Class A interests in wind farm entities in which it is also a Class B member. Refer to Appendix C

The reallocation Date is the point in time that Class A capital has been returned and a target return on the Class A capital has been achieved. The target returns range between 5.9% and 8.3% depending on the IEP and accumulate based on the outstanding Class A capital balance.

8.3 Accounting for IEPs

Australian equivalents to International Financial Reporting Standards (AIFRS) preclude the use of the proportional consolidation method previously employed. For statutory purposes Infigen must now account for seven of its US joint ventures using the equity method in the "Share of net profits of associates" line item.

Infigen recognises assets and liabilities of the IEPs in its AIFRS financial statements based on the following Infigen Class B interests and accounting method:

Institutional Equity Partnership	Relevant wind farms	Infigen Class B interest	AIFRS accounting
2003/2004 Portfolio			
Blue Canyon Windpower LLC	Blue Canyon	50%	Equity method
Caprock Wind LLC	Caprock	100%	100%
Eurus Combine Hills LLC	Combine Hills	50%	Equity method
Sweetwater Wind 1 LLC	Sweetwater 1	50%	Equity method
Sweetwater Wind 2 LLC	Sweetwater 2	50%	Equity method
2005 Portfolio			
JB Wind Holdings LLC	Bear Creek, Jersey Atlantic	59%	Equity method
Crescent Ridge Holdings LLC	Crescent Ridge	75%	100% with 25% non-controlling interest
Kumeyaay Holdings LLC	Kumeyaay	100%	100%
Sweetwater Wind 3 LLC	Sweetwater 3	50%	Equity method
2006 Portfolio			
Wind Portfolio Holdings 1 LLC	Allegheny, Aragonne, Buena Vista, GSG, Mendota	100%	100%
2007 Portfolio			
CCWE Holdings LLC	Cedar Creek	67%	100% with 33% non-controlling interest
Sweetwater 4-5 Holdings LLC	Sweetwater 4, Sweetwater 5	53%	Equity method

8.4 IEP Liabilities

8.4.1 Class A Liability (AIFRS)

- These are classified as a liability under AIFRS as IEPs have limited lives and the allocation of income earned is governed by contractual agreements over the life of the investment;
- The Class A liability is calculated by discounting future tax allocations and cash distributions using the effective interest method:
    - The effective interest rate that is used to calculate the liability was determined at the date that control was deemed to have been attained and is not subsequently adjusted;
    - Future tax allocations and cash distributions that are incorporated into the calculation of the Class A liability include those that accrue in each of the aforementioned three stages, i.e. including those post the repayment of the Class A capital balance;
- The Class A liability is increased or decreased for the following:

Component	Increase/decrease to Class A liability	Income/expense
1. Value of PTCs	Decrease	Income
2. Tax (i) losses / (ii) gains (including tax depreciation)	(i) Decrease / (ii) Increase	(i) Income / (ii) Expense
3. Cash distributions	Decrease	N/A
4. Allocation of return (Class A)	Increase	Expense
5. Movement in residual interest (Class A)	(i) Increase / (ii) Decrease	(i) Expense / (ii) Income

Value of PTCs relates to the income stream that Class A members receive in the form of production tax credits. All of Infigen's US wind farms receive one PTC for each megawatt hour of electricity produced for a period of ten years from the date of first commercial operation of the wind farm.

Infigen currently forecasts that on an economic interest basis its portfolio of wind farms in which it holds Class B interests will generate a further US$158 million of PTC income.

US$m	FY15	FY16	FY17	FY18	Total
2003/2004	5.8	-	-	-	5.8
2005	12.6	5.6	-	-	18.2
2006	18.0	18.8	13.9	-	50.6
2007	25.3	26.4	25.6	6.2	83.5
Total	**61.6**	**50.7**	**39.4**	**6.2**	**158.0**

Tax losses/gains represent an estimate of taxable losses or gains accruing to Class A members during the period. Under US tax law a wind farm owner may depreciate the book value of its wind farms over an accelerated time frame. In the early years of operations this gives rise to significant tax losses as the accelerated tax depreciation is greater than the operating profit of the wind farm.

Cash distributions represent cash distributed to Class A members in Stage 2 and Stage 3.

Allocation of return (Class A) is the agreed target return on the capital balance of the Class A member.

The change in residual interest (Class A) reflects period on period changes in expectations of future tax allocations and cash distributions and the effect of rolling forward the Class A liability calculation each period.

Class A Capital Balance:

The Class A capital balance is different to the Class A liability as the former is the balance of initial capital contributed by Class A members, plus the targeted return (which is itself different to the effective interest rate), that is yet to be repaid to Class A members through tax allocations and/or cash distributions at a given point in time.

The following provides a summary of Class A capital balances.

Class A Capital Balance Amortisation (US$ million) by Asset Vintage

Year ended 30 June 2014	2003/04	2005	2006	2007	Total
Closing balance (30 Jun 13)	51.4	86.9	153.5	230.2	522.0
Tax true-up	(0.8)	0.1	0.5	0.3	0.1
Opening balance (1 Jul 13)	**50.6**	**87.0**	**154.0**	**230.5**	**522.1**
Production tax credits	(13.7)	(12.7)	(17.0)	(31.9)	(75.3)
Tax (losses)/gains	2.7	3.9	(0.1)	10.0	16.6
Cash distributions	(9.0)	(10.3)	-	(18.8)	(38.0)
Allocation of return (interest)	3.8	5.9	9.0	16.4	35.3
Closing balance (30 June 14)	**34.4**	**73.8**	**146.0**	**206.3**	**460.5**

The Class A capital balance is reduced or increased for items 1 to 4 in the first table on page 30, but there is no adjustment in relation to the residual interest (item 5 in that table).

8.4.2 Class B Liability (AIFRS)

- Relates to Cedar Creek and Crescent Ridge only;
- The Class B Liability is the equivalent of a non-controlling interest that is ordinarily recognised within equity. However, this item is classified as a liability under AIFRS because (i) the IEPs have limited lives and (ii) the allocation of income earned is governed by contractual agreements over the life of the investment;
- Non-controlling interests are reduced for cash distributions and increased/ decreased for the minority's interest in the IEP's profit/loss.

8.4.3 Deferred Revenue

- Represents the tax-effected difference between tax and accounting depreciation. This is similar to the accounting treatment of a deferred tax liability;
- Accumulates in the early years of the IEP and then reverses slowly over the remaining life of the investment;
- Does not form part of the Class A liability and is an accounting consequence of straight-line depreciation over the life of the wind farm.

Whilst classified as liabilities in the financial statements it is important to note:

- Should future operational revenues from the US wind farm investments be insufficient, there is no contractual obligation on the Group to repay the IEP liabilities;
- Institutional balances outstanding (Class A and Class B non-controlling interests) do not impact Infigen's leverage covenant.

There is no exit mechanism for institutional investors and consequently there is no refinancing risk.

8.5 US Performance by Asset Vintage for Year Ended 30 June 2014

Production (GWh) by Asset Vintage

Year ended 30 June	2014	2013	Change	Change %
2003/2004	740	722	18	2
2005	511	509	2	-
2006	760	776	(16)	(2)
2007	1,087	1,082	5	-
Total	**3,098**	**3,089**	**9**	**-**

Revenue (US$ million) by Asset Vintage

Year ended 30 June	2014	2013	Change	Change %
2003/2004	22.3	22.5	(0.2)	(1)
2005	22.7	24.6	(1.9)	(8)
2006	46.8	42.6	4.2	10
2007	53.1	53.1	-	-
Total	**144.9**	**142.9**	**2.0**	**1**

Profit and Loss (US$ million) by Asset Vintage

Year ended 30 June 2014	2003/04	2005	2006	2007	Total
Revenue	22.3	22.7	46.8	53.1	144.9
Costs	(12.7)	(12.8)	(28.9)	(19.6)	(74.0)
EBITDA	9.6	9.9	17.8	33.6	70.9
Depreciation & amortisation	(11.7)	(12.9)	(29.6)	(30.8)	(85.1)
EBIT	**(2.2)**	**(2.9)**	**(11.7)**	**2.8**	**(14.1)**

8.6 US Performance by Asset Vintage for Year Ended 30 June 2013

Production (GWh) by Asset Vintage

Year ended 30 June	2013	2012	Change	Change %
2003/2004	722	716	6	1
2005	509	519	(10)	(2)
2006	776	820	(44)	(5)
2007	1,082	1,081	1	-
Total	**3,089**	**3,136**	**(47)**	**(1)**

Revenue (US$ million) by Asset Vintage

Year ended 30 June	2013	2012	Change	Change %
2003/2004	22.5	22.8	(0.3)	(1)
2005	24.6	25.9	(1.3)	(5)
2006	42.6	43.7	(1.1)	(3)
2007	53.1	51.5	1.6	3
Total	**142.9**	**143.9**	**(1.0)**	**(1)**

Profit and Loss (US$ million) by Asset Vintage

Year ended 30 June 2013	2003/04	2005	2006	2007	Total
Revenue	22.5	24.6	42.6	53.1	142.9
Costs	(12.5)	(13.6)	(28.1)	(20.5)	(74.8)
EBITDA	10.0	11.0	14.8[17]	32.6	68.4
Depreciation & amortisation	(11.8)	(12.9)	(26.9)	(29.6)	(81.3)
EBIT[18]	**(2.0)**	**(2.0)**	**(12.1)**	**3.2**	**(12.9)**

Class A Capital Balance Amortisation (US$ million) by Asset Vintage

Year ended 30 June 2013	2003/04	2005	2006	2007	Total
Closing balance (30 Jun 12)	65.8	95.1	162.0	238.6	561.5
Tax true-up	(0.1)	0.3	(0.1)	(0.7)	(0.6)
Opening balance (1 July 12)	**65.7**	**95.4**	**161.9**	**237.9**	**560.9**
Production tax credits	(16.2)	(11.7)	(18.7)	(24.4)	(71.1)
Tax (losses)/gains	3.5	2.6	0.2	0.9	7.1
Cash distributions	(7.4)	(6.6)	-	-	(13.9)
Allocation of return (interest)	5.8	7.2	10.1	15.8	38.9
Closing balance (30 June 13)	**51.4**	**86.9**	**153.5**	**230.2**	**522.0**

[17] Includes $0.3m gain on disposal

[18] Before impairment expense of US$55m related to the US CGU

8.7 US Cash Distributions

Cash flow from the operating wind farms in 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.

Cash flow allocated to Class A members during the period was US$38.0 million compared with US$13.9 million in the pcp. This relates to the 2003/2004 and 2005 vintage portfolios and the Cedar Creek wind farm where Class A members will receive all net operating cash flow from those wind farms until their capital balances, including agreed return, are fully amortised (refer below for Class A capital balances).

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

Economic Interest Class A capital balance by vintage (US$ million)				
Year ended 30 June	**2014**	**2013**	**Change**	**Change %**
2003/2004	34.4	51.4	17.0	33
2005	73.8	86.9	13.1	15
2006	146.0	153.5	7.5	5
2007	206.3	230.2	23.9	10
Total	**460.5**	**522.0**	**61.5**	**12**

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

Economic Interest Class B capital balance by vintage (US$ million)				
Year ended 30 June	**2014**	**2013**	**Change**	**Change %**
2003/2004	-	-	-	-
2005	1.1	4.2	3.1	74
2006	88.1	104.3	16.2	16
2007	30.5	44.4	13.9	31
Total	**119.8**	152.9	**33.1**	**22**

Class B capital balances are held at the limited liability company (LLC) level. Once Class B capital balances are fully repaid (cash flip point) or a fixed (cash cut-off) date is reached (whichever occurs earlier), all operating cash flow from the related wind farm assets is allocated to Class A members until their capital balances are fully amortised and agreed return achieved.

The 2006 vintage portfolio will begin to distribute cash to the Class A members no later than the end of November 2015. In the 2007 vintage portfolio Cedar Creek has already reached its cash flip point after having its Class B capital balance repaid ahead of investment case expectations. Cedar Creek accounted for 61% of the distributions from the 2007 vintage portfolio in FY14. The other wind farms in the 2007 portfolio are Sweetwater 4 & 5, which will begin to distribute cash to the Class A members no later than the end of April 2015.

Once the Class A members achieve their agreed target return, the cash flow is reallocated between the Class A and Class B members. The Blue Canyon and Combine Hills wind farms (2003/04 vintage) are currently expected to return to distributing cash to Infigen as Class B member no later than July 2016, with the Caprock (2003/04 vintage) and Crescent Ridge (2005 vintage) wind farms expected to follow before December 2016 and June 2018 respectively. The Cedar Creek wind farm is currently expected to return to distributing cash to Infigen as Class B member no later than June 2019.

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 Class B member as more projects reach the cash flip point or cash cut-off date (whichever occurs earlier) and more operating cash flow is directed to reducing Class A capital balances. Infigen's aggregate Class B distributions will therefore '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 FY19. The timing and duration of the cash flow dip will be influenced by the performance of the US wind farms during the intervening period.

For the Infigen Group, the effect of the cash flow 'dip' has been partly ameliorated following the acquisition of certain Class A interests in FY14. Refer to Appendix C.

8.8 US IEPs Net Income

The following table summarises the components of net income from IEPs in USD.

Year ended 30 June (US$M)	2014	2013	Change %
Value of production tax credits (Class A)	51.5	51.8	(1)
Value of tax losses/(gains) (Class A)	(13.3)	(5.2)	(156)
Deferred revenue recognised during the period	17.0	6.3	170
Income from IEPs	**55.2**	**52.9**	**4**
Allocation of return (Class A)	(24.2)	(26.1)	7
Movement in residual interest (Class A)	3.1	(15.2)	120
Non-controlling interest (Class B)	(5.5)	(3.2)	(72)
Financing costs related to IEPs	**(26.5)**	**(44.5)**	**40**
Net income from IEPs (statutory)	**28.7**	**8.4**	**242**
US equity accounted investments	12.8	18.2	(30)
Non-controlling interests (Class B & Class A)	2.5	3.4	(26)
Net income from IEPs (economic interest)	**44.0**	**30.0**	**47**

The following table summarises the components of net income from IEPs in AUD.

Year ended 30 June (A$M)	2014	2013	Change %
Value of production tax credits (Class A)	56.3	50.2	12
Value of tax losses/(gains) (Class A)	(14.7)	(4.5)	(227)
Deferred revenue recognised during the period	18.5	6.3	194
Income from IEPs	**60.1**	**52.0**	**16**
Allocation of return (Class A)	(26.3)	(25.4)	(4)
Movement in residual interest (Class A)	3.5	(15.3)	123
Non-controlling interest (Class B)	(6.1)	(3.0)	(103)
Financing costs related to IEPs	**(28.9)**	**(43.8)**	**34**
Net income from IEPs (statutory)	**31.2**	**8.2**	**280**
US equity accounted investments	14.4	17.8	(19)
Non-controlling interests (Class B & Class A)	2.8	3.3	(15)
Net income from IEPs (economic interest)	**48.4**	**29.3**	**65**

Value of production tax credits (Class A) was $56.3 million, up 12% or $6.1 million. By the end of 2013, Sweetwater 1, Blue Canyon and Combine Hills had passed 10 years of commercial operation and were no longer eligible to create PTCs. The value of PTCs per megawatt hour (MWh) was US$23 for the 2013 and 2014 calendar years.

Value of tax gains (Class A) was a net cost of $14.7 million compared to $4.5 million in FY13 due to the reduction in tax depreciation as all of the assets that benefit from accelerated depreciation are now fully depreciated.

Benefits deferred during the year also increased $12.2 million to $18.5 million, reflecting unwinding of deferred revenue during the period. Benefits deferred are the difference between tax depreciation and accounting depreciation for the year.

Allocation of return (Class A) goes to delivering the agreed target return on Class A capital balances. This was a $26.3 million expense for the year, up 4% or $0.9 million reflecting unfavourable FX movements partially offset by lower Class A capital balances.

The movement in residual interest (Class A) was a positive $3.5 million movement compared with a negative $15.3 million movement in the prior year. This reflects period on period changes in expectations of future tax allocations and cash flow, the difference between the actual and expected performance of the portfolio during the period and the effect of rolling forward the Class A liability calculation by one year.

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.

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).

9 Appendix C – Investment in Class A Interests

Class A interests in seven of the US wind farm projects were acquired by a new investment vehicle that is jointly owned by Infigen and the seller of the Class A tax equity interests. The investment vehicle apportions the vast majority of the cash flow attributable to those interests to Infigen. From an economic perspective, the effective date of the transaction was 31 October 2013.

This transaction is recorded as “investment in financial assets” in Infigen’s financial statements and referenced as such throughout this document.

Infigen also purchased 100% of the seller’s Class A interests in the Sweetwater 1 and Blue Canyon wind farm projects. Completion of this aspect of the transaction occurred in early January 2014, with an effective date of 1 January 2014 from an economic perspective.

9.1 Interests acquired

Wind farm project	Total capacity (MW)	Infigen Class B interest	Class A interest held by the seller	Percentage of those Class A interests acquired	PPA expiration date
Jersey Atlantic	7.5	59%	100%	50%	March 2026
Bear Creek	24.0	59%	100%	50%	March 2026
Blue Canyon	74.3	50%	46%	100%	December 2023
Caprock	80.0	100%	31%	100%	December 2024
Crescent Ridge	54.5	75%	100%	100%	Merchant
Cedar Creek	300.0	67%	28%	100%	November 2027
Sweetwater 1	37.5	50%	67%	100%	December 2023
Sweetwater 2	91.5	50%	30%	100%	February 2017
Sweetwater 3	135.0	50%	23%	100%	December 2017 & December 2025
	804.3				

9.2 Cash flow

During the year the cash inflow from this investment was $16.4 million. Cash outflows comprised repayment of Union Bank borrowings related to the funding of this investment ($4.0 million) and interest expense. All of these wind farms are currently distributing cash to Class A members.

The Blue Canyon wind farm (2003/04 vintage) is currently expected to cease distributing cash to Class A members no later than July 2016, with the Caprock (2003/04 vintage) and Crescent Ridge (2005 vintage) wind farms expected to follow before December 2016 and June 2018 respectively. The Cedar Creek wind farm is currently expected to cease distributing cash to Class A members no later than June 2019. The remaining wind farms are expected to start distributing cash flow to Class B members no earlier than late 2022.

10 Appendix D – Five year financial information

The following five year information is on an economic interest basis.

A$ million unless otherwise stated	FY10	FY11	FY12	FY13	FY14
Revenue	263.8	267.6	266.6	286.1	303.2
EBITDA	149.1	145.6	140.5	158.2	170.0
Depreciation & amortisation	(127.4)	(128.5)	(132.6)	(130.3)	(141.7)
Impairments	-	-	-	(58.4)	-
EBIT	13.8	17.0	7.9	(30.4)	28.3
Significant items	(24.6)	(35.0)	0.0	0.0	(16.8)
Net loss after tax	(74.4)	(61.0)	(55.9)	(80.0)	(8.9)
Net operating cash flow	98.5	49.6	62.1	84.2	96.2
Capex	113.8	85.1	35.2	20.5	15.7
Cash	217.3	303.3	126.2	124.0	82.9
EURO (€ million)	167.7	133.2	93.4	77.5	76.5
USD (US$ million)	464.5	458.3	378.1	341.2	371.1
AUD ($ million)	649.0	655.2	592.8	591.2	582.4
Gross Debt	1,434.3	1,263.7	1,078.1	1,069.8	1,088.6
Total Borrowings	1,422.6	1,252.4	1,069.2	1,060.0	1,076.5
Class A capital balance (US$ million)	646.8	605.9	560.9	522.1	460.5
Net assets	721.9	640.8	525.8	484.0	492.1