# Management Discussion and Analysis of Financial and Operational Performance for the year ended 30 June 2013

**23 August 2013**

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 2013 compared with the year ended 30 June 2012 ("prior year" or "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 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 Energy 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

The performance of the business during the year was solid primarily due to 7% or $19.5 million revenue growth, underpinned by higher wholesale electricity prices in Australia and the United States (US), and higher production and compensated revenue in Australia. Operating costs were flat year on year notwithstanding the additional costs associated with Woodlawn wind farm's first full year of operation. Both the US and Australia recorded wind farm operating costs below the lower end of the guidance ranges previously advised to the market.

Other costs were broadly in line with the prior corresponding period (pcp) with the exception of corporate costs, which were up $2.6 million to $14.1 million as expected due to the non-recurrence of incentive write-backs booked in the pcp. At an underlying level corporate costs included a net $0.7 million reduction realised as part of the previously announced cost review.

As a result Infigen has delivered Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) growth of 13% to $158.2 million and a 36% increase in net operating cash flow to $84.2 million. Infigen repaid $57.5 million of Global Facility debt (ahead of its $55 million guidance), directed $13.9 million in cash towards reducing liabilities to Class A tax equity members and repaid $1.5 million of its Woodlawn project finance facility.

Infigen reported a $34.3 million improvement to its net loss after tax and before impairment of $21.6 million compared with a net loss after tax of $55.9 million in the prior year.

Infigen's Statutory Loss for the year of $80 million included a non-cash impairment expense of $58.4 million related to its US Cash Generating Unit (US CGU). A higher discount rate and a lower gearing assumption were primarily responsible for the lower book valuation outcome for the US CGU.

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

## 1.2 Distributions

Following consideration by the Board in late 2012 and as advised by the Chairman of the Board at the 2012 Annual General Meeting, the sweeping of surplus cash flow 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 2013.

Infigen recorded one lost time injury in each of FY12 and FY13.

Infigen's total recordable injury rate (TRIR) fell from 15.1 to 11.0 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 relevant prior period.

| Year ended ($M unless otherwise indicated) | 30 June 2013 | 30 June 2012 | Change % |
|---|---|---|---|
| Revenue | 302.6 | 283.5 | 7 |
| EBITDA | 169.5 | 152.7 | 11 |
| Depreciation and amortisation | (137.9) | (140.1) | 2 |
| Impairment | (58.4) | - | n.m. |
| EBIT | (26.7) | 12.6 | (312) |
| Net borrowing costs | (76.5) | (75.0) | (2) |
| FX and interest rate swap revaluations | (7.2) | (0.1) | n.m. |
| Net Income from IEPs | 26.0 | 4.4 | 494 |
| Loss before tax | (84.5) | (58.1) | (45) |
| Income tax | 4.5 | 2.3 | 96 |
| Net loss after tax | (80.0) | (55.9) | (43) |
| | | | |
| Net operating cash flow | 97.8 | 74.8 | 31 |
| Capital expenditure[1] | 21.4 | 35.6 | (40) |
| Operating cash flow per security[2] (cps) | 12.8 | 9.8 | 31 |
| Earnings per security (cps) [3] | (10.5) | (7.3) | (43) |

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 ($M unless otherwise indicated) | 30 June 2013 | 30 June 2012 | Change % |
|---|---|---|---|
| Debt | 1,060 | 1,069 | 1 |
| Cash | 125 | 127 | (2) |
| Net debt | 936 | 943 | 1 |
| Class A liability | 713 | 684 | (4) |
| Securityholders' equity | 484 | 526 | (8) |
| Book Gearing | 65.9% | 64.2% | (1.7) ppts[4] |
| EBITDA/(Net debt + Equity) | 11.9% | 10.4% | 1.5 ppts |
| Net assets per security ($) | 0.63 | 0.69 | (9) |
| Net tangible assets per security ($) | 0.28 | 0.27 | - |

[1] Represents the cash outflow in relation to capital expenditure.
[2] Calculated using securities on issue 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[5]. Under IFRS Infigen fully consolidates the financial performance of these wind farm entities within its statutory results and eliminates the net profit or loss related to the non-controlling interest through "Net income from IEPs" line item.

Infigen believes it is more useful to review the performance of the business from an economic interest perspective and has therefore provided reconciliation between 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 2013 ($M) | Statutory | Non-controlling Interest | Economic Interest |
|---|---|---|---|
| Revenue | 302.6 | (16.5) | 286.1 |
| Operating EBITDA | 188.1 | (11.3) | 176.8 |
| Other costs and income | (18.6) | - | (18.6) |
| EBITDA | 169.5 | (11.3) | 158.2 |
| Depreciation and amortisation | (137.9) | 7.6 | (130.3) |
| Impairment | (58.4) | - | (58.4) |
| EBIT | (26.7) | (3.7) | (30.4) |
| Net borrowing costs | (76.5) | 0.4 | (76.1) |
| FX and interest rate revaluations | (7.2) | - | (7.2) |
| Net income from IEPs | 26.0 | 3.3 | 29.3 |
| Loss before tax | (84.5) | - | (84.5) |
| Income tax | 4.5 | - | 4.5 |
| Net loss | (80.0) | - | (80.0) |

| Year ended 30 June 2012 ($M) | Statutory | Non-controlling Interest | Economic Interest |
|---|---|---|---|
| Revenue | 283.5 | (16.9) | 266.6 |
| Operating EBITDA | 169.6 | (12.2) | 157.4 |
| Other costs and income | (16.9) | - | (16.9) |
| EBITDA | 152.7 | (12.2) | 140.5 |
| Depreciation and amortisation | (140.1) | 7.5 | (132.6) |
| EBIT | 12.6 | (4.7) | 7.9 |
| Net borrowing costs | (75.0) | (0.1) | (75.1) |
| FX and interest rate revaluations | (0.1) | - | (0.1) |
| Net income from IEPs | 4.4 | 4.8 | 9.2 |
| Loss before tax | (58.1) | - | (58.1) |
| Income tax | 2.3 | - | 2.3 |
| Net loss | (55.9) | - | (55.9) |

[5] Infigen also has a number of joint ventures where its Class B membership interests range from 53% to 59% (joint control). These membership interests are included in both statutory and economic presentations using the same proportional ownership method of consolidation.

## 2.2 Review of statement of income

| Year ended ($M unless otherwise indicated) | 30 June 2013 | 30 June 2012 | Change % |
|---|---|---|---|
| Revenue | 286.1 | 266.6 | 7 |
| Operating EBITDA | 176.8 | 157.4 | 12 |
| Development costs | (3.3) | (4.3) | 23 |
| Revaluation costs & Gain on disposal | (1.2) | (1.1) | (9) |
| Corporate costs | (14.1) | (11.5) | (23) |
| EBITDA | 158.2 | 140.5 | 13 |
| Depreciation and amortisation | (130.3) | (132.6) | 2 |
| Impairment | (58.4) | - | n.m. |
| EBIT | (30.4) | 7.9 | (484) |
| Net borrowing costs | (76.1) | (75.1) | (1) |
| FX and interest rate revaluations | (7.2) | (0.1) | n.m. |
| Net income from IEPs | 29.3 | 9.2 | 219 |
| Loss before tax | (84.5) | (58.1) | (45) |
| Income tax | 4.5 | 2.3 | 96 |
| Net loss after tax | (80.0) | (55.9) | (43) |

| Foreign exchange rates | 30 June 2013 | 30 June 2012 | Change % |
|---|---|---|---|
| AUD:USD (average rate) | 1.0242 | 1.0195 | 0.5 |
| AUD:EUR (average rate) | 0.7941 | 0.7681 | 3.4 |
| | | | |
| AUD:USD (closing rate) | 0.9275 | 1.0238 | (9) |
| AUD:EUR (closing rate) | 0.7095 | 0.8084 | (12) |

**Revenue** was $286.1 million, up 7% or $19.5 million reflecting higher revenue in Australia slightly offset by marginally lower revenue in the US. In Australia, revenue increased $20.5 million to $146.3 million as a result of higher average prices (+$13.6 million), higher production (+$6.8 million), and higher compensated revenue (+$2.5 million) partially offset by an unfavourable marginal loss factor (MLF) movement (-$2.4 million). In the US, revenue decreased 1% or US$1.0 million to US$142.9 million[6] reflecting lower production (-US$1.9 million) and lower REC prices (-US$1.4 million), partially offset by higher compensated revenue (+US$0.9 million) and higher average electricity prices (+US$1.4 million).

Operating Earnings Before Interest, Tax, Depreciation and Amortisation (**Operating EBITDA**) was $176.8 million, up 12% or $19.4 million. This was primarily due to:

- Australia: a 21% or $18.9 million increase in operating EBITDA to $110 million reflecting higher revenue, partially offset by higher costs largely attributable to a full year of operating cost for Woodlawn; and
- US: a US$0.1 million increase in operating EBITDA to US$68.1 million and a $0.4 million FX benefit as a result of the appreciation of the Australian Dollar (AUD) against the US Dollar (USD).

**Development costs** expensed were $3.3 million, down 23% or $1.0 million. The decrease is primarily attributable to the increased capitalisation of development activity in the US in relation to two advanced projects and lower development expenses in Australia. During the year $9.5 million of costs relating to current development projects were capitalised. Further details are provided in Section 3.

[6] Includes asset management revenue related to third party Infigen Asset Management (IAM) activity.

Environmental certificate **revaluation costs** were $1.3 million reflecting the revaluation to market price of the 224,000 LGCs that were held in inventory at 30 June 2013. A **gain on disposal** of $0.2 million was recognised in relation to a US turbine during the period.

**Corporate costs** of $14.1 million, including net savings from the organisational restructure of $0.7 million, were up 23% or $2.6 million. The increase was primarily due to larger write-backs of non-cash Long Term Incentive (LTI) provisions, other employee benefit provisions and miscellaneous items in the prior year.

**EBITDA** was $158.2 million, up 13% or $17.7 million reflecting higher operating EBITDA and lower development costs partially offset by higher corporate costs.

**Depreciation and amortisation** expense of $130.3 million was 2% lower than $132.6 million in the prior year. An **impairment** expense of $58.4 million related to the US CGU was recognised following adverse movements in the Group's discount rate and gearing assumption.

Earnings Before Interest and Tax (**EBIT**) for the year of negative $30.4 million, was an adverse movement of $38.3 million.

**Net borrowing costs** were $76.1 million, up 1% or $1.0 million. Interest costs reduced by $3.5 million due to lower debt levels offset by amortisation of decommissioning costs ($2.6 million), higher amortisation of loan fees ($1.4 million) and lower interest income ($0.6 million) due to lower interest rates.

| Year ended ($M) | 30 June 2013 | 30 June 2012 | Change % |
|---|---|---|---|
| Interest expense | (71.6) | (75.1) | 15 |
| Bank fees & amortisation of loan costs | (4.3) | (2.9) | (32) |
| Amortisation of decommissioning costs | (2.6) | - | (100) |
| **Total Borrowing costs** | **(78.5)** | **(78.0)** | **(1)** |
| Interest income | 2.4 | 3.0 | (20) |
| **Net borrowing costs** | **(76.1)** | **(75.1)** | **(1)** |
| FX (loss)/ gain | (9.1) | 8.5 | (207) |
| Derivative revaluation | 1.8 | (8.7) | 121 |

The **foreign exchange loss** of $9.1 million was due to the depreciation of the AUD and revaluation on the USD and EUR debt held by an Australian company within the Group at 30 June 2013. The **derivative revaluation** benefit of $1.8 million reflects a step down in the notional value of the interest rate swaps and increase in value of an FX option over the period.

**Net income from US IEPs**[7] was $29.3 million, up 219% or $20.1 million compared with $9.2 million in the pcp. Further details are included in Section 10. For an explanation of the structure of IEPs (including accounting treatment) refer to Appendix B of the Management Discussion and Analysis for the year ended 30 June 2012 published on 30 August 2012.

**Income tax benefit** of $4.5 million was $2.2 million higher than the prior year. The tax benefit is attributable to the accounting loss in the Australian business. The accounting loss in the Australian business was lower in FY13, but the tax benefit is higher than the pcp due to the downward move in FX.

Infigen Energy reported a **net loss after tax** for the year of $80 million, an unfavourable movement of $24.1 million compared with the prior year.

[7] Institutional Equity Partnerships.

# 3 Cash Flow

## 3.1 Cash movement

Cash at 30 June 2013 was $124 million, 2% or $2 million lower than 30 June 2012. The cash balance at 30 June 2013 comprises $19 million held by entities within the Global Facility Borrower Group[8] with $105 million ($97 million at 30 June 2012) held by entities outside of that group (‘Excluded Companies’).

Cash inflows for the year were $84.2 million of net operating cash flow and $7.7 million in non-realised FX gains on cash balances held in USD and EUR due to the depreciation of the AUD.

Cash outflows were $59.1 million for debt repayments (refer to Section 4.1), $13.9 million distributions to US IEP Class A members and $20.5 million for construction, development, property plant and equipment (PP&E).

Expenditure on PP&E and development included $5.9 million in Australia for development pipeline activity, Capital East solar PV demonstration plant and wind farm project including communications and SCADA upgrades and balance of plant enhancements. $1.6 million was invested in corporate IT systems. In the US payments of $8.9 million for wind farm capex primarily related to the turbine replacement at Allegheny Ridge and $4.1 million related to the development of two solar projects in California for which PPAs have been secured.

The movement in cash held by the Excluded Companies is due to the net cash flow from the Woodlawn wind farm (+$4.5 million), LGC sales (+$8.3m), construction costs and capitalised and expensed development costs (-$14.3 million), and interest income and FX movements (+$9.5 million).

## 3.2 Net Operating Cash Flow

| Year ended ($M) | 30 June 2013 | 30 June 2012 | Change % |
|---|---|---|---|
| Operating EBITDA | 176.8 | 157.4 | 12 |
| Corporate & development costs & other | (18.6) | (16.9) | (10) |
| Movement in working capital & non-cash items | (2.0) | (2.2) | 8 |
| Net financing costs and taxes paid | (72.1) | (76.2) | 5 |
| **Net Operating Cash Flow** | **84.2** | **62.1** | **36** |
| Distributions paid (Class A) | (15.1) | (15.2) | - |
| ***Non-controlling interests*** | | | |
| Distributions[9] paid (Class A & Class B) | 23.4 | 27.6 | (15) |
| Movement in working capital | 5.3 | 0.3 | 1,667 |
| **Operating Cash Flow (Statutory)** | **97.8** | **74.8** | **31** |

Net operating cash flow after tax and financing costs was $84.2 million 36% or $22.1 million higher than the pcp due to higher EBITDA (+$19.4 million), lower net financing costs and tax paid (+$4.1 million) and working capital improvements (+$0.2 million) partially offset by higher corporate, development and other costs (-$0.5 million).

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[8] Infigen’s borrowings include a multi-currency Global Facility secured by Infigen’s interests in all of its operational wind farms except Woodlawn - ‘the Borrower Group’.

[9] Distributions paid to IEPs are classified as financing cash flows reflecting their treatment as debt-like instruments.

# 4 Capital Management

## 4.1 Debt

Total debt[10] (including capitalised loan costs) was $1,060 million at 30 June 2013 comprising $1,008 million of Global Facility debt and $51.9 million of Woodlawn project finance debt. This was $9.2 million lower than the pcp due to $57.5 million and $1.5 million being applied to repayment of the Global Facility and Woodlawn project finance facility respectively, offset by a $50.1 million FX related increase following the depreciation of the AUD against the USD and EUR. The average margin on the debt was 114 basis points. Infigen has in place interest rate hedges for the majority of its debt.

Infigen expects that under reasonable operating conditions and market assumptions it will continue to satisfy the Global Facility leverage ratio covenant in conformity with the terms of the facility. Foreign exchange (FX) risk becomes increasingly relevant as the operating cash flow from Infigen's US assets is progressively reallocated to the Class A members. If adverse business conditions or significant further adverse FX movements were to place pressure on future covenant compliance, Infigen has available mitigants and remedies that it may use to avoid or cure a potential failure to satisfy the Global Facility leverage ratio covenant test in any particular testing period. This could involve utilising a portion of the liquid assets that Infigen currently holds outside the Global Facility Borrower Group to support the satisfaction of the Global Facility leverage ratio covenant test as required. Infigen has cash balances held in foreign currencies for the purpose of hedging against adverse FX movements. FX movements that have occurred over the course of the last few months have resulted in significant unrealised FX gains in relation to those balances, which could be crystallised and applied for this purpose.

The Global Facility leverage ratio covenant was met at 30 June 2013.

## 4.2 Net debt

The net debt for the consolidated entity (economic interest) decreased from $943 million at 30 June 2012 to $936 million at 30 June 2013. The net movement of $7 million was primarily due to:

- net operating cash flow (+$84.2 million);
- unrealised adverse FX movement (-$42.8 million);
- capital expenditure (-$20.5 million); and
- distributions to Class A tax equity members (-$13.9 million).

## 4.3 Equity

Total equity decreased 8% from $525.8 million at 30 June 2012 to $484.0 million at 30 June 2013. The decrease of $41.8 million is attributable to:

- the net loss for the period (-$80.0 million);
- a change in the fair value of interest rate hedges (+$26.4 million);
- exchange difference on the translation of foreign operations and movement in fair value of net investments (+$10.9 million); and net increase in the share based payments reserve (+$0.9 million).

The number of securities on issues (762,265,972) did not change during the year.

[10] A description of Infigen's Global Facility and project finance debt is available in note 17 to the financial statements.

## 4.4 Gearing

The following table provides a comparison of Infigen's book gearing (economic interest) at 30 June 2012 and 30 June 2013. The change reflects the movements in net debt and equity described above.

| As at ($M) | 30 June 2013 | 30 June 2012 | Change % |
|---|---|---|---|
| Net Debt | 936 | 943 | 1 |
| Total Equity | 484 | 526 | (8) |
| **Book Gearing** | **65.9%** | **64.2%** | **(1.7) ppts** |
| US IEP Tax Equity[11] | 589 | 565 | (4) |
| **Total Gearing** | **75.9%** | **74.1%** | **(1.8) ppts** |

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; 14 of these have PPAs that account for 874 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.

All of Infigen's US wind farms generate Production Tax Credits (PTCs) for 10 years from the date of first commercial operation. PTCs are worth US$23 per MWh for the 2013 calendar year. 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 liability to the Class A Institutional Equity Partner. This is accounted for in the "Other income" line item in Infigen's statutory accounts. Further information on Infigen's US Institutional Equity Partnerships in 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 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 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 long term retail supply agreements, 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 54% of annual P50 production is currently contracted under medium and long term agreements.

## 5.2 United States

| Year ended | 30 June 2013 | 30 June 2012 | Change | Change % |
|---|---|---|---|---|
| Operating Capacity (MW) | 1,089 | 1,089 | - | - |
| Production (GWh) | 3,089 | 3,136 | (47) | (2) |
| P50 Production (GWh) | 3,313 | 3,313 | - | - |

| US Business | 30 June 2013 | 30 June 2012 | Change | Change % |
|---|---|---|---|---|
| Total Revenue (US$M) | 142.9 | 143.9 | (1.0) | (1) |
| Operating costs (US$M) | (74.8) | (75.9) | (1.1) | 1 |
| Operating EBITDA (US$M) | 68.1 | 68.0 | 0.1 | - |
| EBITDA margin | 47.7% | 47.8% | | (0.1) ppt |
| Average price (US$/MWh) | 45.0 | 44.7 | 0.3 | 1 |
| Operating costs (US$/MWh) | 24.18 | 24.20 | (0.02) | 1 |
| PTCs (US$M) | 71.1 | 72.5 | 1.4 | (2) |
| *EBITDA margin inc PTCs* | *65.0%* | *64.9%* | | *0.1 ppt* |

| US Business Translation to AUD | | | | |
|---|---|---|---|---|
| Revenue (A$M) | 139.8 | 140.8 | (1.0) | (1) |
| Operating EBITDA (A$M) | 66.8 | 66.3 | 0.5 | 1 |

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:

- Settlement of the long standing dispute with Gamesa and negotiation and execution of 15 year warranty, service and maintenance agreements at Infigen sites with Gamesa turbines;
- Improvements in Infigen's asset management systems, resulting in more effective supply chain management processes, work order management processes, site operations audits, and root cause analysis systems. These improvements have resulted in lower year over year operating costs and lower major component failure risks.
- Steady progress in the development of a solar business, with a healthy pipeline of development projects and the execution of two power purchase agreements in California for a total of 40 MW that enhance the options available to generate further value from these projects.

### 5.2.1 Production

| Year ended | 30 June 2013 | 30 June 2012 | Change |
|---|---|---|---|
| Operating Capacity (MW) | 1,089 | 1,089 | - |
| Capacity Factor | 32.4% | 32.8% | (0.4) ppt |
| Turbine Availability | 96.1% | 96.1% | - |
| Site Availability[12] | 95.3% | 95.3% | - |
| Production (GWh) | 3,089 | 3,136 | (47) |

Site and turbine availability of 95.3% and 96.1%, respectively, were in line with the prior year. Production decreased 47 GWh or 2% to 3,089 GWh due to Gamesa blade failures (-27 GWh), lower average wind speeds (-19 GWh), and weather and network related curtailments (-35

[12] Excludes downtime related to Gamesa equipment failure that resulted in some turbines being temporarily decommissioned pending resolution of disputes. Including these would result in FY13 site availability of 94.9% compared to 94.5% in the pcp.

GWh) partially offset by improved site availability and timing of turbine maintenance during low wind periods (+34 GWh).

Lower production at GSG, Allegheny, and Bear Creek (-27 GWh) due to Gamesa blade failures, lower wind speeds at the Illinois (Crescent, GSG, Mendota), West Coast (Combine Hills, Buena Vista, Kumeyaay) and Rocky Mountain (Cedar, Caprock, Aragonne) sites (-65 GWh), blade icing at Allegheny and Bear Creek (-23 GWh) and network constraints at Crescent Ridge (-12 GWh) were partially offset by higher wind speeds at the South Central (Sweetwaters and Blue Canyon) and Northeast (Allegheny, Bear Creek, Jersey Atlantic) sites (+46 GWh), higher production at Aragonne (+22 GWh) as a result of electrical equipment upgrades in FY12 and favourable timing of turbine maintenance at a number of sites during low wind periods (+12 GWh).

Lost production due to Gamesa blade failures is not expected to recur as a result of the 15 year Warranty and Maintenance Agreements entered into with Gamesa, which covers component failures and availability.

Infigen is working with the grid operators to reduce future network curtailments.

### 5.2.2 Price

Approximately 80% of Infigen's US capacity is contracted for a weighted average duration of 11.5 years. The capacity contracted and the PPA expiry dates are provided in the following table.

| Wind Farm | Equity MW with PPA | PPA End Date |
|---|---|---|
| Sweetwater 2 | 45.8 | Feb-17 |
| Buena Vista | 38 | Apr-17 |
| Sweetwater 3[13] | 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 | Dec-24 |
| Sweetwater 3[13] | 50.6 | Dec-25 |
| Kumeyaay | 50 | Dec-25 |
| Bear Creek | 14.2 | Mar-26 |
| Aragonne Mesa | 90 | Dec-26 |
| Sweetwater 4 | 127.6 | May-27 |
| Jersey Atlantic | 2.2 | Mar-26 |
| Allegheny Ridge | 80 | Dec-29 |
| Total | 872.0 | |

The simple average electricity price (total wind farm revenue divided by total production) realised of US$45/MWh was 1% higher compared to US$44.70/MWh in the pcp. This was due to the receipt of higher compensated revenue related to prior periods (see Section 5.2.3), higher realised wholesale electricity prices from most merchant wind farms, and PPA price escalators, partially offset by lower realised REC prices.

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

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) | FY13 | FY12 | Change % |
|---|---|---|---|
| PJM-AECO (Jersey Atlantic) | 38.26 | 36.74 | 4 |
| PJM-CE (GSG & Mendota) | 31.59 | 29.35 | 8 |
| ERCOT-W (Sweetwater 5) | 29.55 | 25.71 | 15 |

**Dispatch weighted average**

| Period (US$/MWh) | FY13 | FY12 | Change % |
|---|---|---|---|
| PJM-AECO (Jersey Atlantic) | 30.14 | 39.99 | (25) |
| PJM-CE (GSG & Mendota) | 25.57 | 22.18 | 15 |
| ERCOT-W (Sweetwater 5) | 21.08 | 16.18 | 30 |

Infigen's merchant dispatch weighted average price was 21%, 20% and 29% less than the time weighted average price in the PJM-AECO, PJM-CE and ERCOT-W markets respectively during the period. Typically wind speeds are greater in the shoulder months and at nights, which correspond with lower wholesale price periods and largely accounts for this discount.

### 5.2.3 Revenue

Revenue decreased 1% or US$1.0 million to US$142.9 million[14] reflecting lower production described above (-US$1.9 million) and lower REC prices (-US$1.4 million), partially offset by higher average electricity prices (+US$1.4 million) and higher compensated revenue (+US$0.9 million). Compensated revenue was predominantly attributable to insurance proceeds.

REC revenue decreased $1.6m primarily driven by a large drop in REC pricing in the PJM market partially offset by a slight increase in REC pricing in the ERCOT market. The PJM REC market has since shown improved strength due to the risk of the PTC incentive expiring again and the possibility of some state renewable power standards increasing. The ERCOT REC market is currently trading at similar levels to FY13.

### 5.2.4 Operating costs

Total operating costs decreased 1% or US$1.1 million to US$74.8 million and primarily reflects:

- Lower turbine component failure costs as a result of predictive and preventive maintenance measures partially offset by higher fixed costs associated with extended warranty agreements; and
- Lower balance of plant partially offset by higher other direct costs.

| Year ended (US$M) | 30 June 2013 | 30 June 2012 | Change | Change % |
|---|---|---|---|---|
| Asset management[15] | 15.9 | 15.7 | (0.2) | (1) |
| Turbine O&M | 33.1 | 34.2 | 1.1 | 3 |
| Balance of plant | 6.9 | 7.2 | 0.3 | 4 |
| Other direct costs | 18.9 | 18.8 | (0.1) | (1) |
| **Total operating costs** | **74.8** | **75.9** | **1.1** | **1** |

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

On 17 June 2013 Infigen announced the execution of 15 year Warranty and Maintenance Agreements with Gamesa to cover approximately 276 MW or 25% of Infigen's US installed capacity (on an equity interest basis) across five wind farms (Kumeyaay, Allegheny Ridge, GSG, Bear Creek and Mendota). Under the agreements, Gamesa will provide warranties, turbine maintenance services and replacement components for the turbines until June 2028.

These agreements significantly reduce Infigen's risk to the cost of major component failures.

### 5.2.5 Operating EBITDA

Operating EBITDA for the US business increased US$0.1 million to US$68.1 million reflecting lower operating costs offset by slightly lower revenue.

Operating EBITDA margin was 47.7% compared with 47.8% in the prior year reflecting relatively steady revenue and cost outcomes across both years. Including PTCs, operating EBITDA margin was 67.0% compared with 64.9% in the prior year. The 2.1 ppts variance was largely due to an increase in the PTC rate in since 1 January 2013.

### 5.2.6 Depreciation, amortisation and impairments

Depreciation and amortisation increased US$0.5 million to US$81.3 million.

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

An impairment expense of US$55.0 million related to the US cash generating unit was recognised following adverse movements in the Group's discount rate and gearing assumption.

### 5.2.7 Development

During the period the development team continued to advance key projects in its solar PV development pipeline in response to market demand.

Wildwood Solar I and Pumpjack Solar I solar PV development projects obtained Conditional Use Permits from the Kern County Planning Commission in February 2013 and executed power purchase agreements (PPA) with Southern California Edison in March 2013. Both projects have executed electrical Interconnection Agreements allowing for electrical interconnection and initial synchronisation. Following these achievements, the largest development risk factors for these projects have now been eliminated, thereby improving the options available to extract maximum value from them.

Two further solar PV development projects, Rio Bravo I and Wildwood II have received their phase 1 interconnection study results indicating favourable direct interconnection and network upgrade costs. The projects have since commenced the phase 2 study process. Infigen is actively marketing the power sales for Rio Bravo I and Wildwood II via both direct negotiations and participating in request for proposals from utilities.

In addition to the projects within our joint development arrangement with Pioneer Green Energy, we continue to pursue our own "greenfield" solar PV development efforts in various markets, the most advanced being Aragonne Solar and Georgia Sun I.

## 5.3 Australia

| Year ended ($M) unless stated otherwise | 30 June 2013 | 30 June 2012 | Change | Change % |
|---|---|---|---|---|
| Operating Capacity (MW)[16] | 557 | 557 | - | - |
| Production (GWh) | 1,516 | 1,402 | 114 | 8 |
| P50 Production (GWh)[17] | 1,599 | 1,606 | (6) | - |
| | | | | |
| Total Revenue ($M) | 146.3 | 125.8 | 20.5 | 16 |
| Operating Costs ($M) | (36.3) | (34.7) | (1.6) | (5) |
| Operating EBITDA ($M) | 110.0 | 91.1 | 18.9 | 21 |
| Operating EBITDA margin (%) | 75.2 | 72.4 | 2.8 ppts | |
| Average Price (A$/MWh) | 96.57 | 89.72 | 6.85 | 8 |
| Operating Cost (A$/MWh) | 23.93 | 24.77 | 0.84 | 3 |

There was no change to Infigen's operating capacity in Australia during the period with operating capacity remaining at 556.6 MW.

Key achievements during the year included:

- The identification and resolution of an AEMO scheduling error resulting in compensated electricity revenue for the FY10 to FY12 periods. This is a demonstration of Infigen's in-house asset management capability and will also result in fewer constraints to the affected wind farms in future periods;
- Following the expiration of their original warranties Lake Bonney 2 & 3 transitioned to the previously announced Vestas maintenance contracts that will provide for stable and predictable costs for a further five years; and
- Delivered wind farms costs of $32.6 million, $1.4 million below the lower end of the guidance range of $34 to $37 million.

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16 Operating capacity at the end of the period.

17 An updated wind and energy assessment has resulted in Capital wind farm's P50 production being revised to 373 GWh in FY13 as foreshadowed at the interim results. P50 for the pcp has not been restated.

### 5.3.1 Production

| Year ended | 30 June 2013 | 30 June 2012 | Change |
|---|---|---|---|
| Operating capacity (MW) | 557 | 557 | - |
| Capacity factor | 31.1% | 28.9% | 2.2 ppt |
| Turbine availability | 97.6% | 96.6% | 1.0 ppt |
| Site availability | 96.8% | 95.1% | 1.7 ppt |
| Production (GWh) | 1,516 | 1,402 | 114 |

Production increased 8% or 114 GWh to 1,516 GWh including 43 GWh of compensated production related to prior periods. On a normalised basis production increased 2% or 36 GWh from 1,437 GWh to 1,473 GWh as a result of less network constraints (+30 GWh), a full year of production from Woodlawn (+22 GWh), improved availability (+18 GWh) and better wind conditions in NSW and WA (+49 GWh), offset by less favourable wind conditions in SA (-48 GWh).

The resolution of an AEMO scheduling error and insurance proceeds resulted in recognition of compensated production for Lake Bonney 2 & 3 (+28 GWh). The resolution also led to better scheduling and less network constraint conditions than the pcp (+37 GWh). This was offset by less favourable wind conditions (-48 GWh) and resulted in production at Lake Bonney being 11 GWh lower than the pcp on a normalised basis.

At the Alinta wind farm higher turbine availability (+3 GWh) and higher wind speeds (+9 GWh) were partially offset by increased network constraints (-7 GWh) resulting in 5 GWh higher production than the pcp.

At Capital wind farm higher site availability (+13 GWh) and improved wind conditions (+35 GWh) resulted in 48 GWh higher production than the pcp. Capital recognised compensated production of 13 GWh related to equipment failures in FY12.

At Woodlawn a full year of production (+22 GWh) and improved wind conditions (+5 GWh) resulted in 27 GWh higher production than the pcp. Woodlawn recognised compensated production of 2 GWh related to equipment failures in FY12.

### 5.3.2 Prices

**Electricity**

The TWA spot electricity prices in SA and NSW were 130% and 86% higher than the pcp respectively following the introduction of a carbon price ($23/tonne) from 1 July 2012 and a number of other market factors described below.

| TWA wholesale electricity ($/MWh) | FY13 | FY12 | 10 Year Average |
|---|---|---|---|
| SA (Lake Bonney) | 69.75 | 30.28 | 47.27 |
| NSW (Capital & Woodlawn) | 55.10 | 29.67 | 41.38 |

Infigen’s DWA electricity prices increased 108% to $58.93/MWh in SA and increased 84% to $54.55/MWh in NSW. The increases broadly correlate with the TWA price increases 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 $12,500/MWh.

There were a number of notable events that caused volatility in the wholesale electricity market during FY13 as follows:

- In Victoria, in July 2012 flooding reduced the output of the 1,570 MW Yallourn power station, which contributed to higher wholesale electricity prices in SA and NSW.
- In Queensland, the closure of 750 MW of Stanwell's 1,500 MW Tarong power station, network constraints and wholesale bidding behaviour led to the dispatch of much higher priced generation in Northern Queensland supplying electricity into Northern NSW.
- In SA, both units at Northern Power Station (Alinta Energy) were withdrawn for periods of the last quarter, and limitations on regional interconnectors coinciding with major Gentailers realigning their portfolios (favouring wind generation and imports from Victoria over SA gas generation) resulted in high pool prices.

**Large-scale Generation Certificates (LGCs)**

| Period ($/MWh) | FY13 | FY12 | Change % |
|---|---|---|---|
| Large-scale Generation Certificates | 35.94 | 39.39 | (9) |

The average LGC price for the year of $35.94/LGC was 9% lower compared to an average price of $39.39/LGC in the prior year. The closing LGC price at 30 June 2013 was $33.25 compared to $36.42 at 30 June 2012.

At 30 June 2013 Infigen held approximately 224,000 LGCs with a book value of $7.6 million compared to approximately 276,000 LGCs with a book value of $10 million at 30 June 2012. These LGCs were recognised in the revenue line at the weighted average market price for the month in which they were created. The closing market price of $33.30 per LGC at 30 June 2013 was slightly lower than the average price at which these LGCs were brought to account. An environmental certificate revaluation expense of $1.3 million was recognised in the FY13 results.

**Bundled pricing**

The realised weighted average portfolio bundled (electricity and LGCs) price was $96.57/MWh, 8% higher than $89.72/MWh realised in the prior year. This reflected higher dispatch weighted wholesale electricity prices and price escalation for the contracted assets, partially offset by lower contracted LGC volume as SDP was not operating and lower LGC prices.

### 5.3.3 Revenue

Revenue increased $20.5 million or 16% to $146.3 million as a result of higher average prices (+$13.6 million), higher production (+$6.8 million), and higher compensated revenue (+$2.5 million) partially offset by an unfavourable MLF movement (-$2.4 million)

Compensated revenue included $1.2 million (27 GWh) related to the identification and resolution of an AEMO scheduling error. The remaining $1.7 million (16 GWh) was attributable to the insurance settlement for equipment failures at the Capital and Lake Bonney wind farms in FY12.

### 5.3.4 Operating Costs

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

| Year ended (A$M) | 30 June 2013 | 30 June 2012 | Change | Change % |
|---|---|---|---|---|
| Asset management | 7.0 | 6.5 | 0.5 | (8) |
| Turbine O&M | 17.2 | 16.9 | 0.3 | (2) |
| Balance of plant | 0.9 | 1.0 | (0.1) | 10 |
| Other direct costs | 7.5 | 6.9 | 0.6 | (9) |
| **Total wind farm costs** | **32.6** | **31.3** | **1.3** | **(4)** |
| Energy Markets | 3.7 | 3.4 | 0.3 | (9) |
| **Total operating costs** | **36.3** | **34.7** | **1.6** | **(5)** |

Total operating costs increased $1.6 million or 5% to $36.3 million. The key variances include:

- $0.5 million increase in asset management cost associated with the resolution of AEMO scheduling error (+$0.2 million), end of warranty inspection costs at Lake Bonney 2 & 3 (+$0.2 million) and Woodlawn costs (+$0.1 million);
- $0.3 million increase in turbine O&M costs associated with Woodlawn full year of operation (+$0.4 million), higher turbine O&M costs under the Vestas agreement (+$2.2 million) offset by lower component failure costs covered under the new Vestas contracts (-$2.3 million);
- Minor reduction in balance of plant costs (-$0.1 million);
- CPI linked land and insurance costs (+$0.2 million), a full year of other direct costs associated with Woodlawn (+$0.2 million) and other miscellaneous costs (+$0.2 million); and
- Energy Markets costs associated with developing longer term contracting options and meeting increased market compliance obligations (+$0.3 million).

### 5.3.5 Operating EBITDA

Operating EBITDA increased by $18.9 million or 21% to $110.0 million reflecting increased production, higher electricity prices and higher compensated revenue, slightly offset by higher operating costs - including those from a full year contribution from Woodlawn, lower LGC contract volume and lower LGC prices.

EBITDA margin for the period was 75.2% compared with 72.4%.

### 5.3.6 Depreciation and amortisation

Depreciation and amortisation decreased $2.4 million to $50.9 million reflecting the reclassification of decommissioning and loan costs to financing costs. Infigen depreciates its Australian wind farms and associated plant using the straight line method over 25 years reflecting their useful lives.

### 5.3.7 Development

A key area of focus for the development team is managing community, regulatory and/or Government stakeholder relationships. This includes communicating with, informing and consulting with a wide range of stakeholders including in particular the communities in which we operate.

During the period the development team continued to advance the most prospective projects in the development pipeline in anticipation of improved market and investment conditions, and carried out work necessary to sustain the option value of the pipeline for growth when investment conditions return.

The Bodangora and Cherry Tree wind farm developments are at a very advanced stage and Infigen's response to public submissions related to Flyers Creek wind farm was accepted by Department of Planning. A Planning Assessment Commission Hearing date is anticipated in October 2013.

Development consent was granted by the local council and connection negotiations are significantly progressed for the Forsayth wind farm development.

# 6 Outlook

Over the last three years Infigen has been focussed on delivering predictable operating cost outcomes and maximising cash flow available for debt amortisation. Infigen has successfully delivered or outperformed the guidance ranges provided to the market across these periods.

A number of key operational achievements have contributed to these outcomes including, improved operating practices in the US and Australia, execution of post-warranty agreements for turbine service and maintenance, a business reorganisation and cost reduction initiative that has significantly improved efficiency and reduced costs, and an embedded culture of safety and continuous improvement.

Infigen begins the 2014 financial year (FY14) with a goal of building upon our steady operational performances.

In FY14, production in the US is expected to improve primarily due to the return to service of a number of Gamesa turbines and improved availability for the Gamesa fleet. US wind conditions were below the long term mean in FY13 and have the potential to improve. In Australia, there is also the potential for improved wind conditions and higher production outcomes but network constraints in SA and WA may continue to adversely affect production. Infigen will continue to publish unaudited production and revenue results each quarter.

In the US, the Crescent Ridge wind farm (40.8 MW) PPA expired in June and that wind farm will be operated on a merchant basis with wholesale prices currently below the previous PPA price. However, average prices are nonetheless expected to be only slightly below FY13 due to the highly contracted nature of Infigen's assets.

In Australia, in the near term the regulatory environment continues to be challenging. Despite the favourable findings of the Climate Change Authority's review of the Renewable Energy Target (RET) in 2012, vested interests in the fossil fuel generation sector continue to lobby forcefully to reduce the RET. The upcoming Federal election has exacerbated the uncertainty to a point where the market for new renewable energy project development is very weak, and the appetite to contract existing assets is poor. This has depressed the Large Scale Generation Certificate (LGC) spot price to low $30s levels. Average Australian prices are expected to be around the same as FY13 due to contract escalation and a higher carbon price, offset by lower LGC prices.

In FY14, the US and Australian businesses will benefit from a full year of savings from the cost reduction initiative undertaken in FY13, with the group on track to deliver the full $7 million cash savings benefit in FY14. US operating costs are forecast to be between US$73 million and US$76 million (including Infigen Asset Management costs), and Australian operating costs between $35 million and $37 million (including Energy Markets costs).

The number of assets in the US where Infigen's original investment capital has been returned will begin to increase materially in FY14. The short term variability of production, price and operating costs means it is difficult to predict the precise dates when cash flow will be allocated to Class A tax equity members. The total cash flow that we expect to have available to distribute to Class A tax equity members, close out interest rate swaps, and repay the Global Facility will be approximately $80 million. The FY13 comparative was $75.1 million comprising $57.5 million for the

Global Facility, $13.9 million to repay Class A tax equity and $3.7 million of German tax costs.

There are a number of growth opportunities that Infigen will continue to pursue in FY14. In the US, the development team will steadily progress the Wildwood and Pumpjack solar PV developments and seek to enhance the options available to generate further value from these projects. In Australia, the development team will continue to explore solar PV opportunities that are supported by Commonwealth Government initiatives.

Infigen also looks forward to the expected improvement in investment conditions following the Federal election and a favourable outcome from the scheduled further review of the RET legislation in 2014.

# 7 Appendix A – Balance Sheet by Country

| A$ million | 30 June 2013 IFN Statutory Interest | Less US Minority Interest | 30 June 2013 IFN Economic Interest | Australia | United States |
|---|---|---|---|---|---|
| Cash | 124.5 | (0.6) | 124.0 | 110.2 | 13.8 |
| Receivables | 32.5 | (0.5) | 32.0 | 25.2 | 6.8 |
| Inventory LGCs | 13.8 | (0.2) | 13.6 | 9.0 | 4.5 |
| Prepayments | 17.2 | (0.1) | 17.1 | 8.1 | 8.9 |
| PPE | 2,478.0 | (160.7) | 2,317.3 | 918.5 | 1,398.9 |
| Goodwill & Intangibles | 272.1 | (17.7) | 254.3 | 137.5 | 116.9 |
| Deferred Tax & Other | 50.5 | 0.6 | 50.5 | 50.5 | - |
| **Total Assets** | **2,988.5** | **(179.8)** | **2,808.7** | **1,258.9** | **1,549.8** |
| | | | | | |
| Payables | 36.6 | (1.9) | 34.6 | 18.7 | 16.1 |
| Provisions | 29.3 | (1.2) | 27.5 | 10.7 | 16.8 |
| Borrowings | 1,060.0 | 0.0 | 1,060.0 | 723.5 | 336.5 |
| Tax Equity (US) | 712.8 | (124.1) | 588.7 | - | 588.7 |
| Deferred Revenue (US) | 511.1 | (51.9) | 459.1 | - | 459.1 |
| Derivative Liabilities | 154.7 | 0.0 | 154.7 | 104.7 | 50.0 |
| **Total Liabilities** | **2,504.5** | **(179.8)** | **2,324.7** | **857.6** | **1,467.2** |
| | | | | | |
| **Net assets** | **484.0** | **0.0** | **484.0** | **401.4** | **82.6** |

| **Foreign exchange rates** | | | |
|---|---|---|---|
| **As at** | **30 June 2013** | **30 June 2012** | **Change %** |
| **USD** | 0.9275 | 1.0238 | (9) |
| **EUR** | 0.7095 | 0.8084 | (12) |

# 8 Appendix B – Institutional Equity Partnerships

## 8.1 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[18] | 32.6 | 68.4 |
| D&A | (11.8) | (12.9) | (26.9) | (29.6) | (81.3) |
| **EBIT[19]** | **(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 Jul 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** | **51.4** | **86.9** | **153.5** | **230.2** | **522.0** |

[18] Includes $0.3m gain on disposal.
[19] Before impairment expense of US$50m related to the US CGU.

## 8.2 Year ended 30 June 2012

### Production (GWh) by Asset Vintage

| Year ended 30 June | 2012 | 2011 | Change | Change % |
|---|---|---|---|---|
| 2003/2004 | 716 | 760 | (44) | (6) |
| 2005 | 519 | 574 | (55) | (10) |
| 2006 | 820 | 859 | (39) | (4) |
| 2007 | 1,081 | 1,139 | (58) | (5) |
| **Total** | **3,136** | **3,332** | **(197)** | **(6)** |

### Revenue (US$ million) by Asset Vintage

| Year ended 30 June | 2012 | 2011 | Change | Change % |
|---|---|---|---|---|
| 2003/2004 | 21.6 | 21.1 | 0.5 | 2 |
| 2005 | 24.9 | 27.1 | (2.3) | (8) |
| 2006 | 43.7 | 45.9 | (2.2) | (5) |
| 2007 | 50.3 | 51.2 | (0.9) | (2) |
| **Total** | **140.5** | **145.3** | **(0.4)** | **(3)** |

### Profit and Loss (US$ million) by Asset Vintage

| Year ended 30 June 2012 | 2003/04 | 2005 | 2006 | 2007 | Total |
|---|---|---|---|---|---|
| Revenue | 22.8 | 25.9 | 43.7 | 51.5 | 143.9 |
| Costs | (13.1) | (14.0) | (30.0) | (18.5) | (75.9) |
| EBITDA | 9.7 | 11.9 | 13.7 | 33.0 | 68.0 |
| D&A | (11.6) | (12.8) | (26.9) | (29.5) | (80.8) |
| **EBIT** | **(2.1)** | **(1.2)** | **(13.8)** | **4.4** | **(12.7)** |

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

| Year ended 30 June 2012 | 2003/04 | 2005 | 2006 | 2007 | Total |
|---|---|---|---|---|---|
| Closing Balance (30 Jun 11) | 83.0 | 103.3 | 170.8 | 253.3 | 610.4 |
| Tax true-up | (0.1) | (0.2) | - | - | (0.3) |
| **Opening Balance (1 Jul 11)** | **82.9** | **103.1** | **170.8** | **253.3** | **610.1** |
| Production Tax Credits | (16.4) | (12.2) | (18.6) | (25.4) | (72.6) |
| Tax (losses)/ gains | 2.7 | 1.4 | 0.0 | (4.0) | 0.1 |
| Cash distributions | (9.5) | (4.6) | 0.0 | 0.0 | (14.1) |
| Allocation of return (interest) | 6.1 | 7.4 | 9.8 | 14.7 | 38.0 |
| **Closing Balance** | **65.8** | **95.1** | **162.0** | **238.6** | **561.5** |

## 8.3 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 (refer Appendix B of the Management Discussion and Analysis for the year ended 30 June 2012 for more detail).

Cash flow allocated to Class A members during the period was US$13.9 million compared with US$14.1 million in the pcp. This relates to the Blue Canyon, Combine Hills, Caprock, Crescent Ridge, Jersey Atlantic, Bear Creek and Sweetwater 1-3 wind farms, where from the second half of FY13 the 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** | **2013** | **2012** | **Change** | **Change %** |
| 2003/2004 | 51.4 | 65.7 | 14.3 | 22 |
| 2005 | 86.9 | 95.4 | 8.5 | 9 |
| 2006 | 153.5 | 161.9 | 8.4 | 5 |
| 2007 | 230.2 | 237.9 | 7.7 | 3 |
| **Total** | **522.0** | **560.9** | **38.9** | **7** |

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** | **2013** | **2012** | **Change** | **Change %** |
| 2003/2004 | - | 0.7 | 0.7 | 100 |
| 2005 | 4.2 | 7.4 | 3.2 | 44 |
| 2006 | 104.3 | 118.1 | 13.8 | 12 |
| 2007 | 44.4 | 74.4 | 30.0 | 40 |
| **Total** | 152.9 | 200.6 | **47.7** | **24** |

Class B capital balances are held at the limited liability company (LLC) level (refer Appendix B of the Management Discussion and Analysis for the year ended 30 June 2012 for the relationship between wind farms, LLCs and asset vintage). 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. Jersey Atlantic, Bear Creek and Sweetwater 1-3 wind farms reached their cash flip point during the year.

All of the wind farms in the 2005 vintage portfolio are distributing cash to the Class A members. 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 is expected to reach its cash flip point in approximately August 2013 after having its Class B capital balance repaid ahead of investment case expectations. 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. Cedar Creek accounted for 56% of the distributions from the 2007 vintage portfolio in FY13.

Once the Class A members achieve their agreed target return, the cash flows are 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 no later than December 2016 with the Caprock (2003/04 vintage) and Crescent Ridge (2005 Vintage) wind farms expected to follow in April 2017 and May 2018 respectively.

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 or cash cut-off date (whichever occurs earlier) and more operating cash flow is directed to reducing Class A capital balances. Infigen's aggregate 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 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 summarises the components of net income from IEPs in USD.

| Year ended 30 June (US$M) | 2013 | 2012 | Change % |
|---|---|---|---|
| Value of production tax credits (Class A) | 78.4 | 80.2 | (2) |
| Value of tax losses (Class A) | (8.1) | 1.2 | (746) |
| Benefits deferred during the period | 10.0 | (16.5) | 161 |
| **Income from IEPs** | **80.3** | **65.0** | **24** |
| Allocation of return (Class A) | (40.1) | (43.7) | (8) |
| Movement in residual interest (Class A) | (10.4) | (9.0) | 15 |
| Non-controlling interest (Class B) | (3.2) | (7.6) | (58) |
| **Financing costs related to IEPs** | **(53.7)** | **(60.3)** | **(11)** |
| **Net income from IEPs (Statutory)** | **26.6** | **4.7** | **470** |
| Non-controlling interests (Class B & Class A) | 3.4 | 5.0 | (32) |
| **Net income from IEPs (Economic Interest)** | **30.0** | **9.6** | **211** |

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

| Year ended 30 June (A$M) | 2013 | 2012 | Change % |
|---|---|---|---|
| Value of production tax credits (Class A) | 76.2 | 78.5 | (3) |
| Value of tax losses (Class A) | (7.3) | 1.3 | (672) |
| Benefits deferred during the period | 9.9 | (16.2) | 161 |
| **Income from IEPs** | **78.8** | **63.6** | **24** |
| Allocation of return (Class A) | (39.2) | (42.8) | (9) |
| Movement in residual interest (Class A) | (10.6) | (8.9) | 19 |
| Non-controlling interest (Class B) | (3.0) | (7.4) | (659) |
| **Financing costs related to IEPs** | **(52.8)** | **(59.2)** | **(11)** |
| **Net income from IEPs (Statutory)** | **26.0** | **4.4** | **5494** |
| Non-controlling interests (Class B & Class A) | 3.3 | 4.8 | (31) |
| **Net income from IEPs (Economic Interest)** | **29.3** | **9.2** | **219** |

Value of Production Tax Credits (PTCs) (Class A) was $76.2 million, down 3% or $2.3 million. This is due to lower production in FY13 and small depreciation of the AUD against the USD partially offset by a higher PTC rate in 2013. The value of PTCs per megawatt hour (MWh) is US$22 for the 2011 and 2012 calendar years and US$23 for the 2013 calendar year.

Value of tax losses (Class A) have switched from being net income to a net cost in FY13 (-$7.3 million) due to the reduction in tax depreciation as most of the assets that benefit from accelerated depreciation become fully depreciated.

Benefits deferred during the year also reversed reflecting lower tax depreciation during the period as described above and resulting in income of $9.9 million. 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 $39.2 million expense for the year, down 9% or $3.6 million reflecting lower Class A capital balances.

The movement in residual interest (Class A) was a negative $10.6 million movement compared with a negative $8.9 million movement in the prior year. This reflects period on period changes in expectations of future tax allocations and cash flows.

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).