ASX Release

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Fourth Quarter FY20 Activity Report.

Infigen (ASX: IFN) today presents its Activity Report for the three months ended 30 June 2020 (Q4FY20). All figures in this report are unaudited.

	Unit	Q4 FY20	Q4 FY19	Variance %	FY20	FY19	Variance %
Production sold from Owned Renewable Energy Assets[1]	GWh	414	406	2	1,827	1,684	9
Production purchased and sold from Contracted Renewable Energy Assets[2]	GWh	36	27	n/m	131	92	n/m
Renewable Energy Generation sold	GWh	451	433	4	1,959	1,775	10
Net Revenue[3]	**$m**	**47.1**	**63.5**	**(26)**	**235.6**	**229.3**	**3**

Summary

On 1 May 2020, Infigen released its Q3FY20 Activity Report in which we outlined the impact of COVID-19 on our people, operations, projects, customers, financial position and outlook. Since that time, a second wave of the pandemic has taken hold in eastern Australia and its effects are likely to stretch well into FY21. Although Infigen's business continues to demonstrate operational resilience to the pandemic, the decline in domestic economic activity and fuel prices is having a substantial impact on electricity prices and Infigen's near-term earnings outlook.

Despite the significant short-term impacts of COVID-19, Infigen remains committed to leading Australia to a clean energy future. AEMO's updated Integrated System Plan provides a snapshot of the substantial change that is projected to occur in the medium to long-term.[4] As Australia's aging baseload coal fired fleet inexorably retires, substantial investment in renewable and firming capacity will be required. Infigen's asset portfolio and energy markets capability positions the business to be a significant contributor to this

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[1] Production sold from Owned Renewable Energy Assets includes the impact of marginal loss factors.
[2] Contracted Renewable Energy Assets refers to production acquired under run of plant PPAs where Infigen is the offtaker.
[3] Net revenue is reported as gross revenue minus the cost of sales. Net revenue includes the contribution of Owned Renewable Energy Assets, Contracted Renewable Energy Assets and Firming Assets.
[4] See https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2020-integrated-system-plan-isp

transition. In this environment – characterised by subdued near-term earnings prospects, but significant long-term growth opportunities – a strong and flexible financial position will be central to Infigen's success.

Against this backdrop, this Q4FY20 Activity Report outlines:

1. The impact of COVID-19 on Infigen's people, operations, supply chain and customers;
2. Infigen's progress on active development projects;
3. Updated outlook commentary with respect to FY20 and FY21;
4. The current status of the takeover offers for Infigen; and
5. Factors influencing Infigen's future capital requirements.

Managing Director and Chief Executive Officer, Ross Rolfe, AO, said: "The COVID-19 pandemic is having a substantial impact on economic activity, domestic electricity prices and Infigen's near-term earnings outlook. Despite these short-term challenges, Infigen remains committed to delivering its growth strategy and leading Australia to a clean energy future."

1. Impact of COVID-19 on Infigen's people, operations, supply chain and customers

During Q4FY20, Infigen's head office staff continued to work remotely. This arrangement is designed to protect our people and our communities from the spread of COVID-19. At this stage, this arrangement has had no observable impact on Infigen's operations, supply chain or employee engagement.

In early July 2020, Infigen received the results from its third employee 'pulse' survey. The survey showed Infigen's Employee Net Promoter Score (eNPS) was +68. Infigen's management remains acutely focused on attracting, retaining and engaging our high-performance work force. Infigen had no Lost Time Injuries during the quarter.

Notwithstanding the challenges posed by COVID-19, both the Australian electricity market in general and Infigen in particular have continued to provide Australian businesses and retail customers with uninterrupted supplies of electricity.

2. Progress on active development projects

Infigen is in the process of finalising matters relating to commencing operation of the South Australian Gas Turbines (SAGTs) at their existing site at Lonsdale, South Australia. The lease of the SAGTs is expected to commence in Q1FY21 with relocation of the SAGTs to Bolivar, South Australia currently expected in CY22.

At Cherry Tree Wind Farm in Victoria, all 16 wind turbines are now operational. Infigen expects Cherry Tree Wind Farm to achieve practical completion in Q1FY21.

At Flyers Creek Wind Farm in New South Wales, Infigen has received extension consents from landowners, enabling Infigen to progress the project to a Final Investment Decision.

3. FY20 and FY21 Outlook

Infigen will release its FY20 Full Year Results on 20 August 2020. In respect of those results, Infigen reiterates the channels to market and underlying asset and business operating cost commentary made in the H1FY20 Results Presentation on 21 February 2020 and in the Q3FY20 Activity Report on 1 May 2020.

However, the combined forces of lower domestic economic activity and lower global energy prices have contributed to a substantial step down in spot and forward prices for wholesale electricity. The reduction in forward electricity prices over recent months is illustrated in the Table below:

Wholesale Baseload Electricity Prices (AUD/MWh)	FY20	FY21	FY22	FY23
NSW	79	55	54	54
SA	73	62	52	50
VIC	84	64	52	46

Source: Australian Energy Regulator (AER), as at 29 July 2020.

As a result of this decline in forward electricity prices, Infigen expects to record a non-cash loss on the fair value of derivative financial instruments with respect to its Contracted Assets in the order of $15-20m at its FY20 Full Year Results. In addition, due to the significant decline in interest rates arising from the weaker overall economic environment, Infigen expects to record a non-cash loss in the order of $17-19m resulting from interest rate swaps with respect to the Corporate Facility being classed as ineffective.

In FY20 Infigen also expects to record a provision for fees related to the change of control transactions of approximately $8m.

Looking to FY21, the effect of the economic crisis created by COVID-19 is expected to result in continuing low electricity prices resulting from lower overall demand and oversupply. Oversupply is created not only because of demand reduction associated with restrictions and economic contraction but because generators are not undergoing expected maintenance because of the difficulties undertaking it in the current environment which restricts movement of people to sites and anticipated new supply from renewable generators as it enters the market. This oversupply is reducing market volatility and flattening prices.

The short-term effect on Infigen is an expected reduction in the net revenue and net income of Infigen's renewable energy assets and fast-start, firming assets. Downward pressure is being placed on Infigen's uncontracted revenue channel. Infigen's contracted revenue channel is also adversely impacted as new customer supply agreements, and negotiations for term extensions with existing customers, will reflect the subdued conditions projected in lower forward electricity prices.

LGC prices are continuing to decline from record highs, although there has been some uplift in pricing for CAL20 and CAL21 LGCs as a result of delays being experienced by projects seeking connection to the grid. Infigen is 100% contracted for its expected LGCs in both FY20 and FY21. Infigen's expected average LGC contract price in FY21 is $34 per LGC, notably lower than the $56 per LGC expected to be achieved in FY20.

Given the above factors, Infigen currently expects its Net Revenue and EBITDA in FY21 to be materially lower than FY20.

Infigen believes that there will be a return to normal operating conditions once the COVID-19 pandemic is contained and that the inexorable exit of thermal generation will continue. Electricity prices are likely to normalise at long-term equilibrium levels that reflect the value of electricity. These higher equilibrium prices will also be associated with likely increased volatility associated with a higher penetration of renewables, creating different price outcomes in different trading periods. In this regard the Integrated Systems Plan 2020 released by AEMO on 30 July 2020 provides yet further evidence of this clean energy transition where Infigen is a leader and expects to retain that leadership position. This will result in further accretive investment in the sector. Infigen will continue to identify targeted opportunities for growth that are likely to arise in the current set of market conditions and which will position Infigen for long term growth.

4. Status of takeover offers

On 3 June 2020, UAC Energy Holdings Pty Ltd (UAC) announced its intention to make an off-market takeover bid for all of the Infigen Stapled Securities (UAC Offer). UAC lodged, released and served its bidder's statement in relation to the UAC Offer on 9 June 2020. The Infigen Directors unanimously recommended that Infigen Security Holders reject the UAC Offer. The UAC Offer closed at 7.00pm (Sydney, Australia time) on Friday, 24 July 2020. On 29 July 2020, UAC lodged a substantial holder notice indicating that it had a relevant interest in 19.94% of Infigen Stapled Securities.

On 17 June 2020, Infigen entered into a Bid Implementation Agreement with Iberdrola Renewables Australia Pty Limited (Iberdrola). Under the terms of the bid implementation agreement, Iberdrola agreed to make an off-market takeover bid for all of the Infigen Stapled Securities for $0.86 per Infigen Stapled Security (Iberdrola Offer). The Iberdrola Offer followed an extended period of engagement between Infigen and Iberdrola regarding potential cooperation or a control transaction.

On 24 June 2020, Iberdrola lodged, released and served its bidder's statement in relation to the Iberdrola Offer. On 30 June 2020, Iberdrola increased the price offered per Infigen Stapled Security under the Iberdrola Offer to $0.89. On 7 July 2020, Iberdrola received Foreign Investment Review Board approval for the Iberdrola Offer. On 16 July 2020, Iberdrola declared the Iberdrola Offer unconditional. On 22 July 2020, Iberdrola announced its intention to increase the price offered per Infigen Stapled Security to $0.92 if it received acceptances under the Iberdrola Offer in respect of at least a further 13.0% of Infigen Stapled Securities on or before Thursday, 30 July 2020. On 23 July 2020, Iberdrola received acceptances under the Iberdrola Offer of more than a further 13.0% of Infigen Stapled Securities. Consequently, on 24 July 2020, Iberdrola announced that the price offered under the Iberdrola Offer had increased to $0.92 per Infigen Stapled Security and the offer period had automatically been extended for a further 14 days from Friday, 24 July 2020 to Friday, 7 August 2020.

The Infigen Directors have at all times since the announcement of the Iberdrola Offer unanimously recommended that Infigen Security Holders ACCEPT the Iberdrola Offer, in the absence of a superior proposal. The Infigen Directors continue to unanimously recommend that Infigen Security Holders ACCEPT the Iberdrola Offer, in the absence of a superior proposal.

The Infigen Directors are confident that the Iberdrola Offer is a compelling opportunity for Infigen Security Holders to realise certain value for their investment at a significant premium to the historical undisturbed trading prices of Infigen Stapled Securities and, if accepted, removes exposure to the risks and uncertainties associated with a continued investment in Infigen. The Iberdrola Offer is the only takeover offer currently capable of acceptance and the Infigen Directors now consider it is unlikely that a superior proposal will emerge during the Iberdrola Offer period.

Each Infigen Director who owned or controlled or otherwise had a relevant interest in Infigen Stapled Securities which were the subject of the Iberdrola Offer has accepted the Iberdrola Offer, or procured acceptance of the Iberdrola Offer, in respect of these Infigen Stapled Securities.

Iberdrola's voting power in Infigen was 44.77% prior to 8.41am (Sydney, Australia time) on 31 July 2020. The Iberdrola Offer is scheduled to close at 7.00pm (Sydney, Australia time) on Friday, 7 August 2020 (unless extended or withdrawn).

The Infigen Directors urge Infigen Security Holders to ACCEPT the Iberdrola Offer without delay, to ensure that acceptance is received and processed before the close of the Iberdrola Offer. To ACCEPT the Iberdrola Offer, Infigen Security Holders should complete the Acceptance Form sent to them by Iberdrola with Iberdrola's original bidder's statement.

If Infigen Security Holders have any questions regarding the Iberdrola Offer, please call the Infigen Security Holder helpline on 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia) between 9am and 5pm Mondays to Fridays.

5. Factors influencing Infigen's future capital requirements

As indicated in the Q3FY20 Activity Report, notwithstanding the challenges posed by COVID-19, Infigen will continue to actively evaluate investment opportunities on a case by case basis and will proceed with opportunities that are likely to further its strategic ambitions over the long term. This not only includes the relocation of the South Australian Gas Turbines but also extends to other opportunities that may arise during this period of uncertainty. These growth initiatives will necessarily require additional capital investment.

Another factor that may influence Infigen's future capital requirements is the change of control clause in Infigen's Corporate Facility. As previously outlined in Infigen's Target's Statements in respect of the UAC and Iberdrola takeover offers, if any party acquires more than 50.1% of the Infigen Stapled Securities, a Review Event is triggered, which could lead to a requirement to repay the facility in full. Accordingly, there is a possibility that the debt owed under the Corporate Facility becomes a current liability in the near term and requires refinancing.

In addition, Infigen notes that should Iberdrola acquire more than 50% of the Infigen Stapled Securities, under the Bid Implementation Agreement, Iberdrola will have the ability to immediately appoint the majority of directors to the Infigen Boards. Accordingly, there may soon be a Board controlled by Iberdrola who will determine what actions Infigen will take in respect of its future capital structure, including potential debt refinancing, equity issuance, and the potential for accelerated capital investment.

In the event that Iberdrola's takeover offer closes without it acquiring at least 50% of the Infigen Stapled Securities, in light of the subdued outlook for FY21, and the uncertainty regarding Infigen's future economic outcomes, the current Board would conduct an urgent review of Infigen's balance sheet and financial position. It is possible that any such review may lead to additional sources of debt or equity financing being required.

As announced on 17 June 2020, the Board has determined not to pay a distribution with respect to H2FY20. In light of the above factors, and as announced in a separate market release today, Infigen's Board has now determined that distributions will be suspended indefinitely.

The above factors may have significant financial implications for any Infigen Security Holders that do not accept Iberdrola's takeover offer. The Board unanimously recommends Infigen Security Holders accept the Iberdrola offer before its scheduled close at 7:00pm on 7 August 2020.

Independent Chairman, Len Gill, said: "The Board unanimously recommends Security Holders accept the cash takeover offer from Iberdrola at 92 cents per Stapled Security. Given the combination of short term earnings headwinds and the significant capital requirements for delivering the growth strategy, Iberdrola's cash offer, at a 82% premium to the 3 month VWAP and a 37% premium to the average analyst price target, is a compelling balance of certainty and value for Security Holders."[5]

Ends

This announcement was authorised by: Len Gill, Chairman.

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[5] VWAP calculated to the last undisturbed trading date for Infigen Stapled Securities of 2 June 2020. Average analyst price target of 67 cents per Infigen Stapled Security calculated as at that last undisturbed trading date.

About Infigen

Infigen is leading Australia to a clean future, today. Our strategy is to provide Australian businesses with firm supplies of reliable and competitively priced clean energy.

We generate renewable energy from our fleet of owned wind farms. We also source renewable energy from our portfolio of contracted assets. We manage intermittency risk with our fast start assets, enabling us to provide our customers with firm prices and firm volumes for renewable energy.

For more information, please visit: www.infigenenergy.com