

MARKET RELEASE

ASSET GROWTH AND DISCIPLINED MANAGEMENT UNDERPIN CIF'S STRONG RESULT

14 February 2008, Sydney – Challenger Infrastructure Fund (ASX: CIF) experienced significant asset growth during the first half of the year as a result of its investment in Southern Water. Total revenue increased by \$142.4 million to \$196.4 million and EBITDA¹ increased \$54.2 million to \$96.5 million, reflecting the first full half year contribution from LBC as well as the strong and predictable cash flows generated by CIF's portfolio of high quality assets.

CIF Interim Distribution

Consistent with previous market guidance, CIF has today announced an interim distribution of 14.5 cents per stapled security for the six months ended 31 December 2007. The distribution will be paid to securityholders on 28 February 2008.

CIF also reaffirmed its full year distribution guidance of 34 cents per stapled security for the financial year ended 30 June 2008, an increase of 6% on the distribution of 32.1 cents per stapled security for the full year ended 30 June 2007. The 2008 full year distribution is expected to be approximately 65% tax deferred.

CIF remains confident of being able to achieve its medium term distribution growth guidance of 5% p.a.

Asset Update

CIF's portfolio of assets performed well in their respective operating environments during the first half of the year.

Inexus held its position as the market leader in new gas connections, with 32,882 connections and 33,813 forward orders achieved during the period. Electricity connections continue to grow strongly with 3,988 connections and 12,132 orders received. Inexus received a water inset appointment from the water regulator Ofwat, in October 2007 and has already made 970 sales.

LBC's storage capacity utilisation rate averaged 95% during the period. LBC remains on track with its capacity expansion program which is focused on the United States and selected European markets, where demand for storage is strong while supply is currently constrained by limited capacity. During the

¹ EBITDA is before specific items. Specific items include unrealised gains and losses on CIF and consolidated asset hedging and transaction costs on the acquisition of Southern Water.



six month period, LBC also entered the Chinese tank storage market with the acquisition of 90% of GEP Asia Terminals Pte Ltd.

In October 2007, CIF purchased 23.4%² of Southern Water, which is the fastest growing of the ten water and sewerage companies (WaSCs) in the United Kingdom (UK). Southern Water is meeting all of CIF's acquisition expectations and is on track to deliver the largest capex program of all the WaSCs during the current regulatory period.

Arqiva has continued to take advantage of the growing trend towards digital broadcasting. As a result, Arqiva completed contract negotiations for all substantial Digital Switch Over contracts during the period which together total £3.6 billion (including inflation assumptions).

The Gas Distribution Networks (GDNs) both met performance expectations during the period. In December the energy regulator, Ofgem, released its Final Proposal for Gas Distribution Price Controls which both GDNs accepted, thereby securing revenue certainty to March 2013. The Final Proposal incorporates increased allowances compared to the Draft Updated Proposal with respect to operating costs, capital expenditure and cost of capital.

"Despite recent market turbulence, it has been a positive six months for CIF. Each of CIF's assets performed credibly during the period, including its most recent acquisitions. These half year results provide further ongoing evidence of the success of CIF's strategy of focusing on securing high quality infrastructure and utility assets with high revenue certainty. These assets are attractive in terms of both cash yield and total return, with manageable operating risks and stable regulatory environments," said Steve Bickerton, CIF Chief Executive.

Capital Management

Following the purchase of LBC in June 2007, CIF successfully undertook an entitlement offer raising \$249 million. These proceeds were used to strengthen the balance sheet and repay debt facilities drawn down to partially fund the acquisition of LBC.

In October 2007, CIF purchased a key strategic interest in Southern Water for £312.1 million.³ The purchase was funded through the issue of £97.9 million (\$225 million) in redeemable preference securities (RPS) to Challenger and a drawdown against its acquisition debt facility. In December, CIF successfully syndicated this acquisition facility and utilised the proceeds to repay the bridge component of the facility. Strong demand resulted in an increase in the facility limit from \$540 million to \$580 million, with no increase in debt outstanding.

² Initial stake of 26.6%. Proportionately reduced on the subscription of new equity by Cheung Kong Infrastructure, Li Ka Shing Foundation and Retail Employees Superannuation Pty Limited in December 2007.

³ Includes transaction costs of £12.1 million



Outlook

“The Fund is well placed to continue to perform strongly during the course of 2008 despite the current uncertainty in capital markets. The long term and stable nature of CIF’s cashflows underpin both our distribution guidance of 34 cent per stapled security for the 2008 financial year and the 5% p.a. medium term distribution growth,” said Mr Bickerton.

“Our experienced management team continues to explore organic growth and other growth opportunities within our existing asset base in order to maximise securityholder value. Such opportunities include a focus on growing Inexus’ forward order book through offering multi-connections to developers, LBC’s capacity expansion program in the US as well as Southern Water’s capex program in the UK.”

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