

MARKET RELEASE

CHALLENGER INFRASTRUCTURE FUND 2007 INTERIM RESULT

14 February 2006, Sydney – Challenger Infrastructure Fund (ASX: CIF) today released its financial results for the interim period ended 31 December 2006. CIF also announced an upgrade to its distribution guidance for the year ending 30 June 2007 to 32.1 cents per unit. This upgrade of 3.3 cents per unit is an 11.5 per cent increase on the previous guidance provided in August 2006.

During the period, CIF's revenue was \$58.2 million and earnings before interest, tax, depreciation, amortisation and unrealised gains/(losses) on financial instruments (EBITDA) was \$46.4 million. Both EBITDA and revenue were in line with the Manager's expectations for the period and reflect the strong and predictable cash flows generated by CIF's portfolio of quality assets.

For the six months ended 31 December 2006, the Directors declared an interim distribution of 14.4 cents per unit, which is payable on 27 February 2007. The interim distribution was 1.87 times covered by the gross cash flows contributed by the assets of the Fund.

Mr Steve Bickerton, Fund Manager of CIF said "It has been a positive six months for the Fund. Given the high level of confidence we have in the future performance of CIF's assets we are in a position to upgrade the 2007 financial year distribution guidance – passing on to unitholders the above forecast cash received from the Fund's assets over the past 18 months."

"Inexus has had another impressive year, maintaining its market leading position in the UK gas connections market and in its first year of operation, the electricity connections business exceeded its performance targets. Such a strong performance from the electricity business is particularly pleasing when considering it was only a business plan when CIF acquired Inexus in September 2005. Today, the electricity connections business has significant operational momentum and has delivered capital growth to unitholders."

"Positively, Arqiva, Northern Gas Networks and Wales & West Utilities all continue to perform well in their respective operating environments. Arqiva continues to deliver a mix of income and growth as it pursues strategic opportunities such as its recent acquisition of the BT Satellite Broadcasting¹ business, which expanded Arqiva's geographic reach into France and the USA. Both the gas distribution networks (GDNs) continue to deliver improvements in operating efficiency."

¹ Subject to approval by the Office of Fair Trade



Capital Structure

On 21 August 2006, the second and final instalment totalling \$420 million was received by the Fund. The majority of the proceeds were used to pay down the bridging facility utilised in the acquisition of Inexus, leaving CIF's balance sheet debt free. The remaining \$131 million in cash together with the Fund's long term debt facility, will be used to acquire assets that meet the Fund's investment criteria

Inexus revaluation uplift

Inexus continues to deliver strong results, as evidenced by its ability to exceed its gas and electricity sales budget for the calendar year 2006 by 19,000 connections and doubled the size of the net increase in the order book for the second year in a row. Reflecting this strong business momentum, CIF upgraded its valuation of Inexus to incorporate the actual performance of gas and electricity to date, and its increased confidence in the performance of the electricity connections business. This translated into a 12% uplift in CIF's valuation of Inexus to \$474 million.²

Following this valuation uplift in Inexus the Fund's net asset value (NAV)³ increased 25 cents per unit to \$3.90 as at 31 December 2006.

Positive Outlook

CIF's assets generate highly predictable income streams. Inexus and Arqiva continue to offer opportunities for growth.

Mr Bickerton said: "The Fund is well placed to deliver in 2007. CIF's experienced team continue to look at investment opportunities within the growth orientated infrastructure and utilities space whilst maintaining acquisition discipline, thus ensuring that any new assets will meet the existing quality of the current asset portfolio."

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² Asset values converted at \$A = £0.402727 spot rate as at 31 December 2006.

³ Net asset value per security is calculated as the total value of all CIF investments (including goodwill in Inexus), and foreign exchange movements, divided by the number of securities on issue at 31 December 2006.