

## MARKET RELEASE

---

### **CIF ANNOUNCES 1 FOR 4 NON-RENOUCEABLE ENTITLEMENT OFFER TO RAISE \$262 MILLION**

18 June 2007, Sydney – Challenger Infrastructure Fund (ASX: CIF) has today announced the lodgement of a Product Disclosure Statement (PDS) with ASIC for a fully underwritten 1 for 4 non-renounceable Entitlement Offer of Class A Securities to raise approximately \$262 million.

Under the offer, existing CIF holders will be able to subscribe for one new Class A Security for every four existing Securities held at 7.00pm on the Record Date (21 June 2007) at a price of \$3.80 per new Class A Security.

The Entitlement Offer follows the successful completion of the acquisition of LBC Group (LBC) and the associated institutional placement in which CIF raised \$138 million. Proceeds from the Entitlement Offer will be used to strengthen CIF's balance sheet position, by repaying debt facilities that were drawn down to partially fund the acquisition of LBC.

CIF Chief Executive, Steve Bickerton said, "The Fund's assets combine to generate an attractive return whilst offering opportunities for growth. The Entitlement Offer enables CIF to maintain financial flexibility to fund future acquisitions. CIF will continue to seek investment opportunities within the growth orientated infrastructure and utilities space whilst maintaining its disciplined approach and adhering to its investment criteria."

CIF is forecast to deliver a total distribution of 32.1 cents per Security for the year ending 30 June 2007 and a total distribution of 34.0 cents per Security for the year ending 30 June 2008, representing 6% growth in distributions over that period. CIF is targeting medium term distribution growth of 5% per annum. CIF expects distributions for the years ending June 2007 and June 2008 to be approximately 80% and 65% tax deferred, respectively. The New Class A Securities will be issued after the Record Date for the distribution payable for the six months ending 30 June 2007 (forecast to be 17.7 cents per Security) and therefore will not be entitled to that distribution. New Class A Securities issued under the Entitlement Offer will rank equally with existing Class A Securities in all other respects.

The Entitlement Offer has been fully underwritten by Deutsche Bank AG and UBS AG.

---

**Further enquiry:** Josie Ashton, Senior Manager, Investor Relations, Challenger Financial Services Group. 02 9994 7898



A PDS will be mailed to existing unitholders on or around 25 June 2007. The PDS provides details of the Entitlement Offer including instructions on how to participate in the offer.

The timetable in relation to the Entitlement Offer is as follows

<b>Event</b>	<b>Date</b>
PDS lodged with ASIC	18 June 2007
Institutional Entitlement Offer opens	18 June 2007
Institutional Entitlement Offer closes	19 June 2007
Record date for determining Entitlement	7.00pm, 21 June 2007
Retail Entitlement Offer opens	25 June 2007
Latest time for receipt of Entitlement and Acceptance Forms to enable Eligible Retail Holders to participate in the Initial Allotment (early retail acceptance date)	5.00pm, 29 June 2007
Initial Allotment Date	5 July 2007
Normal trading of New Class A Securities issued under the Initial Allotment expected to commence on ASX	5 July 2007
Retail Entitlement Offer closes (Final retail closing date)	5.00pm, 13 July 2007
Final Allotment Date	19 July 2007
Securities issued under the Final Allotment commence trading on a normal settlement basis	23 July 2007

For further information a copy of an investor presentation and the PDS are attached or are also available for download at [www.challenger.com.au/cif](http://www.challenger.com.au/cif) .

*ENDS*

# Challenger Infrastructure Fund

1 for 4 non-renounceable entitlement offer

Steve Bickerton  
Chief Executive  
18 June 2007



# Important notice

Information contained in this publication is current as at 18 June 2007 unless otherwise specified and is provided by Challenger Listed Investments Limited (ABN 94 055 293 644) (AFSL 236887) (“Challenger”), as Responsible Entity of CIF Investment Trust 1 (ARSN 114 139 703) and CIF Investment Trust 2 (ARSN 114 139 632) (the “Fund”). This document has been prepared for general information purposes only and not with regard to any particular recipient’s financial situation, objectives or needs nor to solicit offers or invitations for the Fund’s securities. Nothing contained in this document constitutes investment, legal, tax or other advice. Accordingly, recipients should, before acting on any information in this document, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision.

Challenger makes no representation, gives no warranty and does not accept any responsibility for the accuracy or completeness of any recommendation, information or advice contained herein. To the maximum extent permitted by law, the recipient releases Challenger, each member of the Challenger Financial Services Group, their directors, officers, employees, representatives and advisors from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any recipient relying on anything contained in or omitted from this document.

Past performance is no guarantee or assurance as to the future performance, profitability or capital value of the Fund or its securities. Any forward looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Challenger, so that actual results or events may vary from those forward looking statements.

Challenger, or persons associated with it, may have an interest in the securities or financial products mentioned in this document and may earn fees as a result of transactions in any such securities or financial products.

# Agenda

1. Executive summary
2. Portfolio update
3. CIF financials
4. Details of the offer

# Executive summary

# Executive summary

- 1 for 4 entitlement offer at \$3.80 per security to raise approximately \$262 million
- Proceeds used to strengthen the balance sheet and repay debt facilities drawn down to partially fund the acquisition of LBC
- Forecast FY08 distribution of 34.0cpu
  - represents a 8.9% yield at the offer price
- Target medium term distribution growth of 5%pa
- Investment highlights
  - Strong returns and attractive yield
  - Diversified portfolio of high quality infrastructure and utilities assets
  - Strong organic growth opportunities across all assets

# Portfolio update

# CIF security price performance

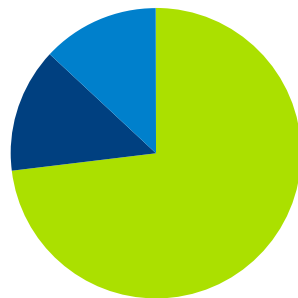
- CIF's price performance reflects the strength of existing operations and further growth expectations



# Diversified global portfolio

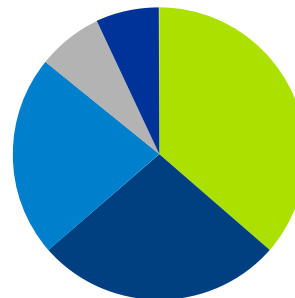
- Following the close of the LBC acquisition CIF's portfolio is diversified across three regions, five investments and four asset classes

Geography



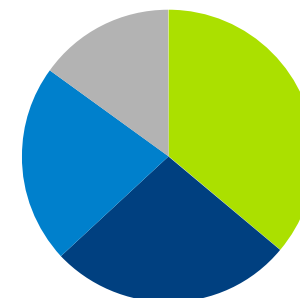
■ UK 73%  
■ North America 14%  
■ Other Europe 13%

Investments



■ Inexus 37%  
■ LBC 27%  
■ Arqiva 22%  
■ Wales & West Utilities 7%  
■ Northern Gas Networks 7%

Asset classes

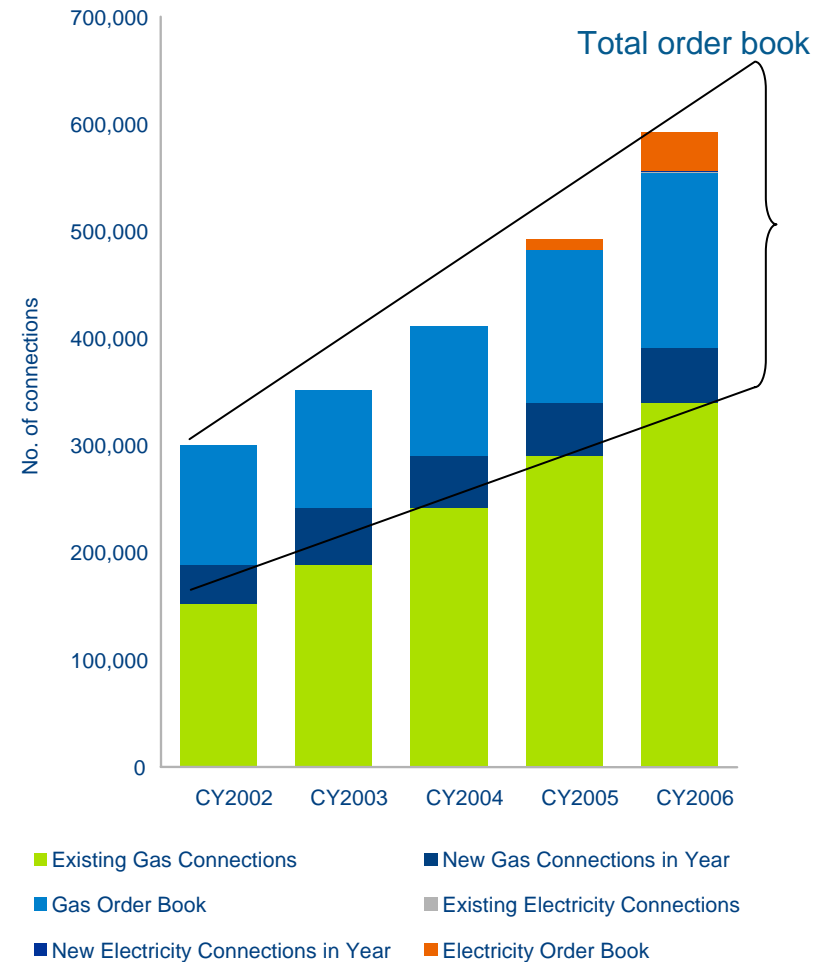


■ Independent utility provider 37%  
■ Independent bulkliquid storage 27%  
■ Broadcasting services 22%  
■ Gas distribution networks 14%

Proportions based on portfolio value as at 1 June 2007, being management valuation as at 31 Dec 06; acquisition cost for LBC

# Asset update - Inexus

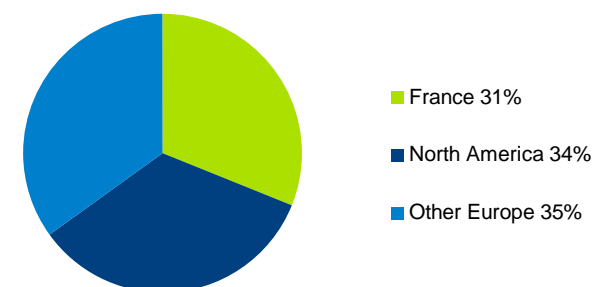
- Operations update
  - Maintaining market leading position
  - Continued expansion of electricity connections business
- Growth opportunities
  - Electricity: Continued success in “dual fuel” offering
  - Water: License application with regulator
  - Other utilities: Potentially could include media cables and local roads



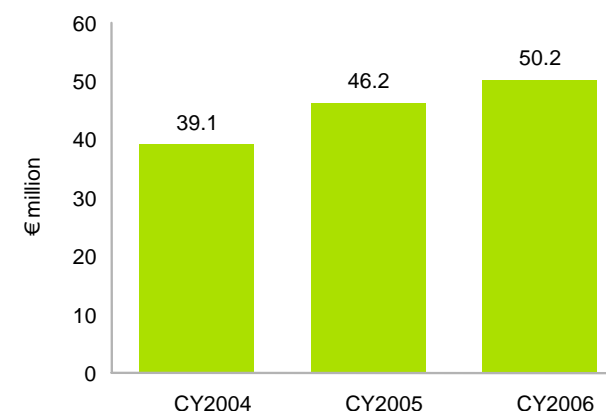
# Asset update - LBC Group

- Operations update
  - Acquisition closed on 1 June 2007
  - Focus on expanding existing capacity
  - Completed debt refinancing to replace subordinated debt with lower cost senior debt, and optimise capital management
- Growth opportunities
  - Growing market: Strong market dynamics are increasing demand for chemical storage in USA and Western Europe
  - Chemical production growth in China and Middle East increases demand of storage for imports
  - Identified expansion opportunities (both contracted and uncontracted)
    - €93.7 million expansionary capex in 2007
    - €36.0 million expansionary capex in 2008
  - Continued trend towards outsourcing of storage and logistics operations
  - Tank storage asset acquisition opportunities

CY06 revenue by terminal location



LBC EBITDA (€m)



# Asset update - Arqiva

- Operations update
  - Appointed preferred supplier to BBC for digital terrestrial operations till 2031
  - Acquisition of BT Satellite Services results in extended reach into US and France
  - Acquisition of National Grid Wireless\* creating a leading broadcast transmission infrastructure and independent mobile leasing provider in the UK
- Growth opportunities
  - Long term digital contracts to facilitate the switch to digital transmission in 2012
  - Supply of additional analogue and digital radio licences
  - 3G roll out drives growth in wireless communication market



# Asset update - Northern Gas Networks and Wales & West Utilities

- Operations update
  - Submissions for five year regulatory review complete with regulator response expected December 2007 to provide long term earnings stability
  - Interim price control review period applies from April 2007 to March 2008
- Growth opportunities
  - Expected increase in gas consumption in UK: from 40% of primary energy consumption to 46% by 2010
  - Expected increase in gas throughput via the distribution networks: growth of 23% by 2015 due to increased usage by the power generation sector, economic activity and domestic demand for gas



# Growth opportunities - existing portfolio

- Expected growth of existing assets from:
  - Inexus: electricity and water
  - LBC: contracted capacity expansion
  - Arqiva: strategic opportunities from shift to digital technology and the integration of the National Grid Wireless acquisition
  - Northern Gas Networks and Wales & West Utilities: increasing gas consumption
- CIF will maintain a disciplined acquisition approach to continue to build a portfolio of quality assets

# Growth opportunities – new investments

## Investment focus

Growth orientated infrastructure and utility assets with:

- Long-term predictable income streams
- Potential for capital growth



### Market position

- Regulated industry or near monopoly market position
- High barriers to entry

### Financial attraction

- Strong cash generation
- Long term predictable cashflows

### Growth potential

- Organic growth
- Consolidation
- Aggregation

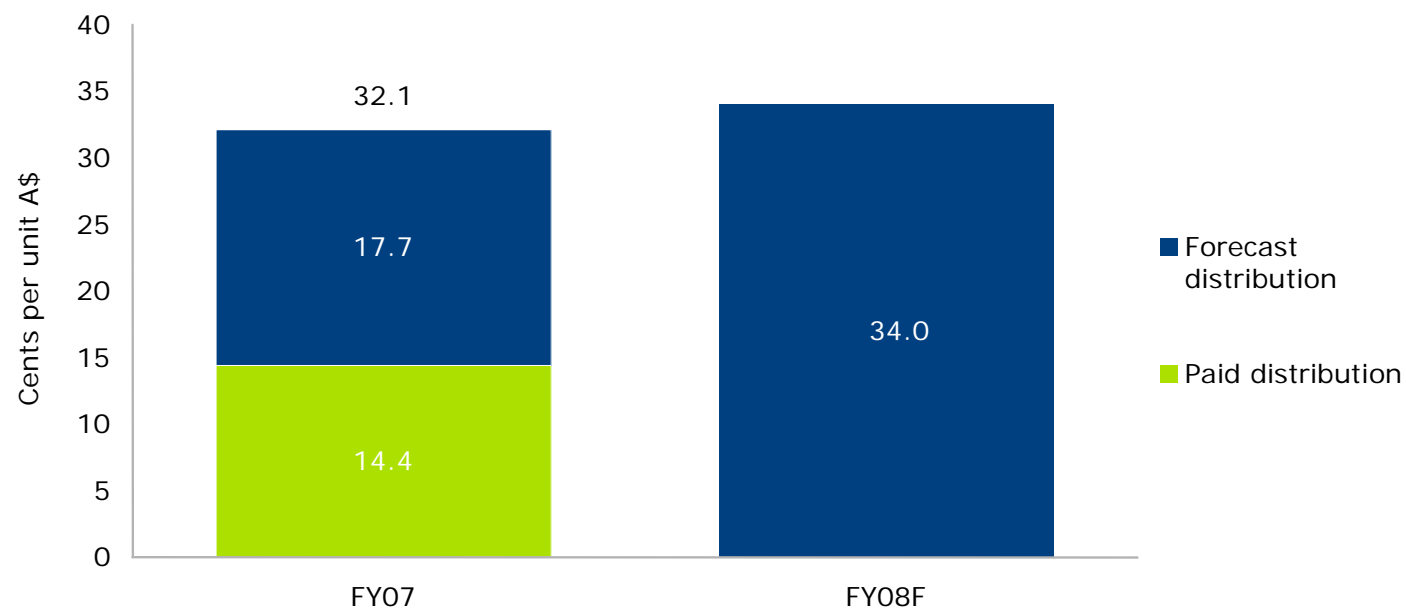
### Strategic stakes

- Full ownership
- Majority ownership
- Negative control
- Strategic stakes

# CIF financials

# Secure and growing distributions

- On track to deliver FY07 distribution guidance of 32.1 cpu
- FY08 distribution guidance 34.0 cpu (6% pcp growth)
- Target medium term distribution growth 5% pa
- Forecast tax deferral of 80% FY07 and 65% for FY08



# Forecast distributions

- Growth in cash available for distribution of 43%
- CIF maintains hedging policies to enhance the certainty of distributions
  - CIF currency hedges 100% of forecast distributions on a rolling 5 year basis
  - Interest rate hedges at the asset level

Forecast CIF Distribution \$ million	Responsible Entity's forecasts	
	Year ending 30 June 2007	Year ending 30 June 2008
Distributions from assets		
Opening cash available for distribution	8.8	4.6
Arqiva	12.4	23.1
Northern Gas Networks	8.6	8.5
Wales & West Utilities	7.1	7.5
Inexus	47.0	52.9
LBC	–	31.1
Net interest	5.8	(0.4)
Operating expenses	(1.1)	(1.6)
Foreign exchange (losses)/gains	(0.4)	0.3
<b>Cash available for distribution</b>	<b>88.2</b>	<b>126.0</b>
Distribution paid by CIF	(83.6)	(118.2)
<b>Cash available for distribution in future periods</b>	<b>4.6</b>	<b>7.8</b>
Closing units on issue (million)	276.3	348.4
Distributions Paid Per Unit (DPU)		
Half year	14.4	14.5
Full year	17.7	19.5
<b>Total Distributions paid (DPU)</b>	<b>32.1</b>	<b>34.0</b>

# Forecast income statement

- Growth in investment revenue of 28% to FY08
- Key drivers of investment revenue growth:
  - Acquisition of LBC
  - Acquisition of NGW by Arqiva
  - Continued growth in new connections for Inexus

CIF Parent Forecast Income Statements \$ million	Responsible Entity forecasts	
	Year ending 30 June 2007 <sup>1</sup>	Year ending 30 June 2008
Investment revenue		
Controlled Entities	46.7	84.5
Minority investments	29.1	31.8
Other	16.6	2.4
Investment revenue	92.4	118.7
Management fees	(9.6)	(14.3)
Operating expenses	(1.1)	(1.6)
EBITDA	81.7	102.8
Amortisation	(0.3)	(1.8)
EBIT	81.4	101.0
Interest expense	(1.8)	(2.8)
Profit before tax	79.6	98.2
Tax expense	—	—
Profit after tax	79.6	98.2

## Details of the offer

# Sources and uses of funds

- Proceeds of the entitlement offer will be used to strengthen CIF's balance sheet and repay debt facilities drawn down to partially fund the acquisition of LBC

Sources of funds	A\$ million	Uses of funds	A\$ million
Entitlement Offer proceeds	262.4	Repayment of existing debt facilities	235.4
		Working capital	19.4
		Entitlement Offer costs	7.6
<b>Total</b>	<b>262.4</b>	<b>Total</b>	<b>262.4</b>

# Offer details

- 1 for 4 entitlement offer
- Non-renounceable
- Fixed offer price of \$3.80 per unit
- Offer size of approximately \$262 million
- Underwritten by Deutsche Bank and UBS
- New units issued will not be entitled to June 2007 distribution but will rank equally with existing units thereafter
- Accelerated institutional component
- Retail investors will be given the opportunity to participate in the early allotment

# Timetable

PDS lodged with ASIC	18 June 2007
Institutional Entitlement Offer opens	18 June 2007
Institutional Entitlement Offer closes	19 June 2007
Record Date for determining Entitlement	7.00pm, 21 June 2007
Retail Entitlement Offer opens	25 June 2007
Latest time for receipt of Entitlement and Acceptance Forms to enable Eligible Retail Holders to participate in the Initial Allotment (Early Retail Acceptance Date)	5.00pm, 29 June 2007
Initial Allotment Date	5 July 2007
Normal trading of New Class A Securities issued under the Initial Allotment expected to commence on ASX	5 July 2007
Retail Entitlement Offer closes (Final Retail Closing Date)	5.00pm, 13 July 2007
Final Allotment Date	19 July 2007
Normal trading of New Class A Securities issued under the Final Allotment expected to commence on ASX	23 July 2007

# Questions

# Appendices

# Appendix A - Balance Sheet

## Pro forma CIF Group Balance Sheet

\$ million	CIF as at 31-Dec-06	Arqiva rights issue	Equity placement	LBC <sup>1</sup>	Entitlement offer	Pro forma CIF Group
<b>Assets</b>						
Cash	171.6	(131.7)	111.1	(23.2)	19.4	147.2
Receivables and other assets	21.6			65.1		86.7
Inventory	1.0					1.0
Investments	320.1	154.6				474.7
Land	–			30.9		30.9
Plant and equipment	285.9			755.1		1,041.0
Intangibles	1,027.7			464.8		1,492.5
Deferred tax assets	4.2					4.2
<b>Total assets</b>	<b>1,832.1</b>	<b>22.9</b>	<b>111.1</b>	<b>1,292.7</b>	<b>19.4</b>	<b>3,278.2</b>
<b>Liabilities</b>						
Payables and other liabilities	93.1			110.7		203.8
Provisions	0.1					0.1
Deferred tax liabilities	5.5			159.0		164.5
Distribution payable	34.7					34.7
Interest bearing liabilities	785.3	22.9	(22.9)	849.9	(235.4)	1,399.8
Preference shares	76.8					76.8
Hedge contracts—market value	85.3					85.3
<b>Total liabilities</b>	<b>1,080.8</b>	<b>22.9</b>	<b>(22.9)</b>	<b>1,119.6</b>	<b>(235.4)</b>	<b>1,965.0</b>
<b>Net assets</b>	<b>751.3</b>	<b>–</b>	<b>134.0</b>	<b>173.1</b>	<b>254.8</b>	<b>1,313.2</b>
<b>Equity</b>						
Holdings' equity						
Holdings' funds	823.9		134.0		254.8	1,212.7
Retained earnings	(39.3)					(39.3)
Reserves	(33.3)					(33.3)
<b>Total Holdings' equity</b>	<b>751.3</b>	<b>–</b>	<b>134.0</b>	<b>–</b>	<b>254.8</b>	<b>1,140.1</b>
Minority interests	–			173.1		173.1
<b>Total equity</b>	<b>751.3</b>	<b>–</b>	<b>134.0</b>	<b>173.1</b>	<b>254.8</b>	<b>1,313.2</b>

# Appendix B - Forecast cash flow statement

## CIF Parent Forecast Cash Flow Statements

\$ million	Responsible Entity forecasts	
	year ending 30 June 2007	year ending 30 June 2008
<b>Cash flow from operations</b>		
Cash receipts from investments	80.8	95.0
Cash payments to suppliers	(1.1)	(1.6)
<b>Total cash flow from operations</b>	<b>79.7</b>	<b>93.4</b>
<b>Cash flow from investing</b>		
Purchase of controlled entities	(778.3)	–
<b>Total cash flow from investing</b>	<b>(778.3)</b>	<b>–</b>
<b>Cash flow from financing</b>		
Proceeds from issue of Securities	554.0	254.8
Interest paid and financing costs	(7.2)	(2.8)
Net drawdowns/(repayments) of CIF Acquisition facility	235.4	(235.4)
Distributions to Holders	(54.2)	(99.2)
<b>Total cash flow from financing</b>	<b>728.0</b>	<b>(82.6)</b>
Net cash flow	29.4	10.8
Opening cash	2.1	31.5
<b>Closing cash</b>	<b>31.5</b>	<b>42.3</b>

# Appendix C - Reconciliation of profit after tax to cash flow from operations

	Responsible Entity forecasts	
\$ million	year ending 30 June 2007	year ending 30 June 2008
Profit after tax	79.6	98.2
Interest and financing costs paid	2.1	4.6
(Increase) in receivables	(11.6)	(23.7)
Add back non-cash adjustments	9.6	14.3
<b>Cash flow from operations</b>	<b>79.7</b>	<b>93.4</b>

# CIF contacts:

## **Steve Bickerton**

Chief Executive

Tel: 61 2 9994 7327

Email: [sbickerton@challenger.com.au](mailto:sbickerton@challenger.com.au)

## **Josie Ashton**

Investor Relations

Tel: 61 2 9994 7898

Email: [jashton@challenger.com.au](mailto:jashton@challenger.com.au)



challenger 