

MARKET RELEASE

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CHALLENGER INFRASTRUCTURE FUND FY2010 RESULTS

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**Proportionate EBITDA of \$156 million<sup>1</sup> (up 4%); Proportionate net debt down 29%**

***Significant growth opportunities and financial flexibility  
Interim distribution guidance 1H11 of 7 cents per unit***

**19 August 2010, Sydney** – Challenger Infrastructure Fund (ASX:CIF) today announced resilient performance in underlying earnings before interest, tax, depreciation and amortisation (EBITDA) for Inexus and LBC despite challenging market conditions. Inexus' EBITDA was up 10% on the prior corresponding period (pcp) whilst LBC's EBITDA was down 1%.

Proportionate net debt reduced significantly by \$358 million over the 12 month period following the sale of the final stake in Southern Water. As at 30 June 2010 CIF had cash reserves of A\$219 million allowing it to support identified accretive growth opportunities in its core assets.

CIF and the management teams at Inexus and LBC recently completed a detailed review of the strategic priorities and opportunities of each business to identify their future direction and the most appropriate use of CIF's fund level excess cash. The primary objective of the review was to maximise unit holder value.

Chief Executive Emil Pahljina said "We are very pleased with the underlying cash generation in both businesses despite difficult markets. The strategic review has identified significant growth opportunities and gives CIF a new focus and exciting growth mandate.

"We are clearly focused on growth in our core assets, and are currently working with the management teams and minority shareholders in each asset to finalise capital management plans to provide the financial support necessary for each business to meet their medium term strategic ambitions."

Inexus is unique in its ability to provide developers with a full suite of utility connections. Inexus sees demand in future sales as bundled offerings to large scale developments to fully capitalise on the regulatory and technology trends which are redefining the utility connections market in the UK. Conventional single gas connections are expected to be a less significant part of the market as developers embrace alternate heating solutions such as district heating to meet increasingly stringent emissions targets for new homes.

LBC will increase its focus on monetising the latent value of its surplus land banks in key strategic ports in the US and Europe. The plan prioritises a re-balancing of LBC's storage capacity reducing the chemicals bias in favour of additional capacity dedicated to meeting continued strong demand for base oils and refined petroleum products in strategic hubs. LBC has identified 26 expansion projects of which 14 have been prioritised.

The Net Asset Value (NAV) per CIF stapled security as at 30 June 2010 was A\$2.19 compared with A\$2.50 at 31 December 2009. This movement in NAV is due to a valuation change in Inexus and foreign exchange movements. The Inexus valuation change has primarily been driven by two factors, the slow down in the UK housing market and reduced future sales of single gas and electricity connections in line with the expected reduced demand for conventional gas connections post recovery.

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<sup>1</sup> Prior comparative period adjusted for the sale of Southern Water in the FY09

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