

## MARKET RELEASE

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### **CIF ANNOUNCES ACQUISITION OF INTEREST IN SOUTHERN WATER**

9 October 2007, Sydney – Challenger Infrastructure Fund (ASX: CIF) has today announced that it is part of a consortium that has signed a binding sale and purchase agreement to acquire 100% of Southern Water Capital Limited (Southern Water) from Royal Bank Investments Limited, a subsidiary of the Royal Bank of Scotland plc. The enterprise value of £4,195 million reflects an EBITDA multiple of 9.2 and a regulatory capital value (RCV) multiple of 1.27 for the current year.

CIF's investment of £300 million<sup>1</sup> (\$690 million) represents a 27% equity interest in Southern Water. CIF is funding its investment through a drawdown of \$494 million against its acquisition debt facility and the issue of £97.9 million (\$225 million) in redeemable preference securities (RPS) to Challenger.

The consortium comprises both domestic and global infrastructure investors including seven Australasian superannuation funds advised by Access Capital Advisers (18%), UBS AG (18%), Hermes (4%), Paceweald Limited, advised by Consensus Business Group (1%) and a fund advised by JP Morgan Asset Management Infrastructure Investments Group (32%).

CIF's Chief Executive, Steve Bickerton said: "This is a significant investment for CIF in a high quality regulated cash flow asset with significant growth opportunities. Upon completion, Southern Water will represent 36% of the CIF portfolio. Southern Water complements the existing portfolio's core assets which each provide a combination of highly predictable cash flows and avenues for growth.

"Further, this acquisition highlights the successful use of CIF's co-investment model and Challenger's commitment to the ongoing development of CIF."

#### **About Southern Water**

Southern Water is the fastest growing of the ten water and sewerage companies (WaSCs) in the UK, with approximately 100 water treatment works and 370 sewerage treatment works supplying water to over 2.3 million people and providing wastewater services to approximately 4.3 million people.

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<sup>1</sup> Excludes transaction costs of £13 million

**Further enquiry:** Susie McPherson, Investor Relations, Challenger Financial Services Group. 02 9994 7958  
Eugenie Perks, Media Relations, Challenger Financial Services Group. 02 9994 7509



The UK water and wastewater industry operates within a highly transparent regulatory environment which provides operators with long term, predictable cash flows. These cash flows are complemented by Southern Water's strong RCV growth profile, with Southern Water having the highest forecast RCV growth of the UK WaSC's of 31% (in real terms) over the current regulatory period (2005 to 2010). This forecast growth is underpinned by strong forecast population growth in the South East of England, the need to replace and upgrade ageing infrastructure and the requirement to improve operations to comply with environmental standards.

Mr Bickerton said: "Southern Water meets all of CIF's key investment criteria. It is a high quality asset that generates long-term sustainable cash flows whilst also offering an attractive growth profile through the ongoing delivery of its extensive forecast capital expenditure program."

### **Reaffirmation of CIF's distribution guidance**

CIF remains on track to deliver a distribution of 34.0 cents per unit for the year ended 30 June 2008, and has reaffirmed its medium term forecast distribution growth guidance of 5% per annum.

An investor presentation will be held at 11am today. The trading halt will remain in place until after the investor presentation is lodged with the ASX and a request to lift the trading halt is made.

*ENDS*

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Challenger Infrastructure Fund (CIF Investment Trust 1 ARSN 114 139 703 and CIF Investment Trust 2 ARSN 114 139 632)  
Responsible Entity Challenger Listed Investments Limited ABN 94 055 293 644 AFSL 236887