MARKET RELEASE

CHALLENGER INFRASTRUCTURE FUND 2006 ANNUAL RESULTS

23 August 2006, Sydney – Challenger Infrastructure Fund (ASX:CIF) has today announced an EBITDA of $56.7 million for the period ended 30 June 2006, underpinned by the strong and predictable cash flows generated by its portfolio of quality infrastructure assets.

The growing revenue base within each asset, together with the development of new organic growth opportunities, particularly within Inexus, has contributed to positive valuation uplifts for all assets in the CIF portfolio.

Commenting on the result, CIF's Chief Executive, Mr Steve Bickerton said: "This is a very pleasing first result for the Fund, with all of CIF's assets performing well. The acquisition of Inexus in August 2005 added a new dimension to the Fund, providing a sound recurring revenue base with significant growth potential."

Consistent with the forecast in the Product Disclosure Statement (PDS) issued on 19 October 2005, CIF has paid and declared distributions per security of 14.2 cents for the period from allotment to 30 June 2006. A total of 81.5 per cent of these distributions are tax deferred.

The Fund has been bolstered by the receipt of $420 million in second instalment proceeds, which will refresh the Fund's borrowing capacity and provide $131 million of cash to fund new investment opportunities.

Financial results

The Fund's net loss after tax of $20.7 million for the period ended 30 June 2006 was significantly ahead of the PDS forecast loss of $28.4 million. In addition, the Fund's EBITDA of $56.7 million was $9.8 million higher than the PDS forecast of $46.9 million. On a normalised basis[1], EBITDA of $49.5 million was $2.6 million above the PDS forecast.

[1] Normalised EBITDA excludes the impact of the August 2005 Arqiva dividend of $5.5 million in investment revenue (which was treated as cash acquired in the balance sheet in the PDS) and $1.7 million in acquisition settlement adjustments that are included in investment revenue from Northern Gas Networks.

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Mr Bickerton said: "In its first year of operation, CIF has delivered financial performance ahead of expectations, backed by strong regulated and contracted operating cash flows from its portfolio of quality infrastructure assets."

The Fund's distributable cash of $42.9 million was $8.0 million above the PDS forecast of $34.9 million for the period. In line with the PDS forecast, CIF has paid a distribution of $34.1 million, equivalent to 14.2 cents per security. The remaining cash balance of $8.8 million has been retained to fund future distributions.

Capital structure

CIF raised equity at IPO of $630 million and undertook an entitlement offer in October 2005 which raised a further $210 million. Both capital raisings were undertaken on an instalment basis, with the second instalments totalling $420 million received on 21 August 2006. The majority of these proceeds will be used to pay down the bridging facility associated with the acquisition of Inexus. The remaining $131 million will be available to fund new investments that meet CIF's investment criteria.

Stable asset performance

Operating within stable regulatory environments, CIF's assets have generated predictable cash flows. Over 87 per cent of the Fund's revenue for the period was derived from regulated or contracted income. This percentage is expected to rise above 90 per cent in 2007 as revenues from Inexus are derived for a full 12 month period and its connection sales from prior periods are built out.

Mr Bickerton said: "The generation of strong inflation hedged revenues was complemented during the year by the identification of new sources of revenue and the realisation of operating efficiencies within the assets."

Management expertise at both the Fund and asset level provided the opportunity to capitalise on new growth opportunities, particularly in Inexus and Arqiva. The ongoing renewal of the Inexus gas connection order book via new gas connection sales, combined with the promising take-up of the "dual-connection" offering of both gas and electricity connections, supports strong forecast growth in Inexus' recurring revenue base. Arqiva has broadened its revenue base, predominantly through capitalising on opportunities created by digital switchover, and also through participation in growth in wireless communication.

Importantly, this expertise has also led to the identification of additional operating efficiencies, particularly in the gas distribution networks, where the transition from public to private ownership has resulted in an increased focus on operational efficiency and capital management discipline.

Asset revaluation uplift

The Fund's assets were independently revalued during the period, with the portfolio recording an overall uplift of 8.0 per cent. Notably, the 12.4 per cent increase in the fair value of Inexus was due to growth in its gas connections base during the period, greater certainty around completion of the order book and the substantial level of electricity connection sales following the launch of this component of the business in 2005.

Following this revaluation uplift the Fund's net asset value per unit[2] increased 23 cents to $3.65 at 30 June 2006.

Positive outlook

The Fund's outlook is positive. Its portfolio of assets continues to generate highly predictable cash flows from the strong, recurring revenue base which exists within each asset. In addition, opportunities for revenue growth are being driven by the identification of both operational efficiencies and in the case of Inexus and Arqiva, expansion into new markets.

CIF's experienced team will continue to source global investment opportunities in growth oriented utilities and infrastructure, backed by the Fund's strong balance sheet and clear investment mandate.

The Fund remains on track to deliver on its distribution guidance for the 2007 financial year of 28.8 cents per security[3].

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[2] *Net asset value per unit is calculated as the total value of all CIF Investments including the valuation increase in Inexus and foreign exchange movements, divided by the number of units on issue at 30 June 2006.*
[3] *Assumes $131 million of second instalment proceeds held as cash and earning cash rate.*

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