

MARKET RELEASE

**UPDATE ON ARKMILE PROPOSAL
CIF SELLS ARQIVA FOR £129.8 MILLION**

**-REDUCES GEARING & STRENGTHENS BALANCE SHEET-
-FY2009 DISTRIBUTION MORE THAN 90% FUNDED FROM OPERATING CASHFLOW-**

22 May 2008, Sydney – The Independent Directors of the Board of the Responsible Entity (Challenger Listed Investments Limited (CLIL)) have today announced the successful sale of Challenger Infrastructure Fund's (ASX: CIF) 6.5% interest in Arqiva, a UK-based broadcast transmission and wireless site-leasing infrastructure asset, for £129.8 million to Macquarie's European infrastructure funds.¹ Proceeds from the sale will be used to complete the repayment of the Fund's debt facility and further strengthen the balance sheet.

CIF's FY2008 distribution guidance of 34 cents per security is reaffirmed, and CIF provides FY2009 distribution guidance of 35.7 cents per security. Importantly, the FY2009 distribution will no longer be partially debt funded and is expected to be more than 90% funded from operating cashflow, with the balance funded from retained cash balances held by the Fund and its assets.

The Independent Directors take this opportunity to provide an update on the Arkmile proposal.

Arkmile proposal

Arkmile, a subsidiary of Consensus Business Group (an 18.57% securityholder in CIF), advised CIF of its non-binding conditional proposal on March 11, 2008. The securities it sought to acquire were CIF's listed Class A securities and unlisted Class B securities for a consideration of \$3.50 per security.

Brenda Shanahan, Chairperson of CLIL said: "Whilst there has been extensive discussions and correspondence with Arkmile and its advisers, CLIL has not yet received a formal proposal in a form capable of being put to securityholders. The CLIL Board does not anticipate receiving an acceptable proposal in the near term and has decided not to continue discussions with Arkmile in relation to its approach."

"Consensus Business Group has indicated that it will continue to assess its options and it remains a supporter of the Fund and a committed investor in CIF," said Ms Shanahan.

¹ The sale is pursuant to the Shareholders Agreement.

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"CIF will continue to focus on maximising the potential of one of the strongest portfolios of infrastructure assets in the OECD today while pursuing further value-add opportunities which are in the interests of all securityholders," stated Steve Bickerton, Chief Executive of CIF.

Arqiva sale highlights

The sale of CIF's interest in Arqiva represents the completion of CIF's minority asset divestment strategy. This strategy, which has included the sale of interests in Northern Gas Networks and Wales & West Utilities, will enable CIF to fully repay Fund level debt to partially realise net asset value (NAV) and to provide securityholders with a sustainable long term distribution profile.

The £129.8 million sale price for CIF's 6.5% equity interest in Arqiva compares to the NAV of £129.3 million as at 31 December 2007 and delivers:

- a profit of £10.9 million;² and
- a realised IRR of 11.9%.²

"The collective sales of Arqiva, Northern Gas Networks and Wales & West Utilities above net asset valuation as at 31 December 2007 is a great result for CIF in the current market environment," said Mr Bickerton.

Mr Bickerton added "The minority asset divestment strategy has been in place for some time and, with the sale of Arqiva, CIF is in a position where the ongoing focus will be on three key areas of importance: optimising CIF's performance, maximising the organic growth in our portfolio of high quality infrastructure assets and the continued emphasis on capital management flexibility."

Following the sale of Arqiva, the CIF portfolio will now comprise three significant investments:

- Inexus: 80.4% ownership
- LBC: 66.2% ownership
- Southern Water: 23.4% ownership

Reduced gearing

Following financial close of the Arqiva sale in September 2008, all Fund-level senior debt will be repaid and CIF's gearing³ at the Fund level will reduce from 23.4% in December 2007 to nil in September 2008 (based on assets under management). CIF's gearing on a proportionally consolidated basis will be 63%⁴. Post repayment of outstanding Fund level senior debt, CIF will be positioned well for further growth from its existing portfolio with a strengthened balance sheet and an undrawn senior debt facility available until March 2010.

² £117.2 million based on CIF's acquisition of Arqiva at the time of the initial public offering (August 2005) and subsequent participation in the acquisition of National Grid Wireless in April 2007 and the take-up of CIF's pre-emptive rights from Tanjong in March 2008; post transaction costs but before tax.

³ Excludes Redeemable Preference Securities.

⁴ Proportional consolidated gearing has been calculated using 31 March 2008 asset gearing levels.



"CIF's financial position is now much improved from where it was in February this year at the time of our interim results presentation. We have been proactively implementing strategies to reduce our level of gearing and are very pleased with the result," Mr Bickerton said.

More than 90% of FY2009 distribution to be funded from operating cash flow

As a result of CIF's strategy, CIF expects that the FY2009 distribution of 35.7cps will no longer be partially debt funded; rather more than 90% will be funded from operating cashflow, with the balance funded from retained cash balances held by the Fund and its assets. This reflects the strong underlying cash generation of the existing asset portfolio. CIF's target distribution growth of 5% is reaffirmed until FY2010⁵.

CIF re-affirms its FY2008 guidance of 34 cents per security. The tax deferred status of the FY2008 distribution remains unchanged at 25%.

ENDS

About Challenger Infrastructure Fund (CIF):

CIF is an Australian publicly listed global diversified infrastructure fund that invests in regulated and contracted monopoly-like assets. CIF has a portfolio of assets which are diversified by sector and also geographical location and focuses on countries with relatively stable political and regulatory environments. CIF takes a disciplined approach to the types of assets in which it invests in order to provide securityholders with a predictable and stable yield with the additional benefit of potential capital growth. CIF's portfolio is diversified across three key assets: Inexus, Southern Water and LBC.

For further information please visit our website: www.challenger.com.au/cif.

⁵ Subject to no material adverse change in forecast assumptions.