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MARKET RELEASE

CIF ASSET PORTFOLIO PROVIDES 19% INCREASE IN UNDERLYING PROPORTIONATE EBITDA

17 February 2009, Sydney – Challenger Infrastructure Fund (ASX: CIF) today announced its half year results for the six months to 31 December 2008. Highlights of the six month period include:

- Underlying Proportionate EBITDA $208.0 million up 19% pcp[1]
- Statutory consolidated revenue of $251.9 million up 28% pcp
- Sale of 1/3 of Southern Water for £100m at net asset value (NAV), providing significant financial flexibility
- $102 million of cash held at Fund level for capital management initiatives, including buy-back
- Reduction in proportionate net debt by $560 million since June 2008[2]
- Repayment of 50% of redeemable preference securities (RPS)
- Refinanced RPS to $118.5 million and extended term to April 2011
- Repayment and cancellation of Fund level acquisition facility in December 2008, reducing Fund level gearing to nil[3]
- Net Asset Value (NAV) of $3.35 cents per security, a decrease of 10% on 30 June 2008 NAV, predominately due to changes in long term capital management assumptions
- Payment of interim distribution on 27 February of 12 cents per security, 100% from operating cashflow, consistent with previous market guidance

Half Year Result

CIF's Chief Executive, Mr Steve Bickerton said, "The result for the half year ended 31 December 2008 highlights the resilient nature of CIF's high quality portfolio. Despite current global uncertainty, revenues have increased 28% on the prior corresponding period and underlying proportionate EBITDA increased by 19% over the same period, reflecting the resilience of our three assets Inexus, LBC and Southern Water."

"CIF has been actively optimising its portfolio over the past six months, and the half year result reflects this strategy. Inexus has seen the highest half year sales figures in its history, demonstrating the success of its early mover advantage in its multi-utility strategy. LBC revenue grew 20% and underlying EBITDA grew 28% reflecting the impact of growth capex investment. Southern Water continues to perform in line with our expectations for a pure play water utility, with revenues steadily increasing and strong RCV growth consistent with the regulatory plan."

1 Underlying Proportionate EBITDA has been normalised to exclude disposed assets and include the full period impact of Southern Water and removes asset specific one off items as defined in each of the asset sections.
2 Reduction relates to sale of one third of Southern Water.
3 Excludes CIF RPS of £50.7 million at 31 December 2008.

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"CIF continued its stated capital management strategy during the half. The sale of one-third of Southern Water at NAV gave CIF financial flexibility, a key asset in this economic environment. CIF now has $102 million cash for further capital management initiatives, including a buy-back and has repaid 50% of the RPS and extended the existing terms, further reducing the Fund's debt maturity risk profile. CIF's forex hedging policy was extended to encompass capital hedging. Due to the revised NAV, we are currently rebalancing our forex hedging to 60% of CIF's NAV. CIF repaid its acquisition facility with the proceeds from the sale of Arqiva and subsequently cancelled the facility, eliminating Fund level gearing[4]."

Asset Update

CIF's portfolio of assets performed well in their respective operating environments during the first half of the year.

Despite operating in a market that has experienced the lowest level of housing starts since 1950, Inexus' performance was solid for the six months ended 31 December 2008, producing an underlying EBITDA of £14.5 million, a 28% increase on the prior corresponding period, and revenue of £24.6 million, an increase of 24% on prior corresponding period. Inexus' strategy of pursuing a multi-utility approach has seen it achieve sales of 59,981 for the period, an increase of 25% on the prior corresponding period with 29,558 new connections being made. During the half year, Inexus has been actively refining its operating model in response to changing market conditions, this has resulted in an protecting underlying EBITDA margin of ~59%.

LBC's storage capacity utilisation rate remained strong averaging 95% during the period. LBC's revenues increased by 20% over the period, reflecting completed growth projects. Over the period operating cash flow has also increased 52%, highlighting the cash generative nature of the business. LBC's underlying EBITDA increased 28% over the same period, despite underlying costs slightly increasing over the period.

Southern Water continues to progress in its core strategy of delivering its capital program in the current regulatory period 2006-2010. Southern Water has delivered £335.0 million revenue over the period, and £152 million of its regulated capital program for the six months ended 31 December 2008. Southern Water remains on track to deliver the largest capex program by % of RCV of all the Water and Sewerage Companies in the UK during the current regulatory period.

4 Excludes CIF RPS of £50.7million at 31 December 2008.

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Capital Management

In December 2008, CIF sold £100 million of Southern Water (representing one-third of CIF's stake) at NAV, which is the fourth asset the Fund has sold at NAV or better over the last 12 months. The sale of £100 million in Southern Water further resulted in:

- Repaid £50.7 million of RPS;
- Refinanced RPS to $118.5 million and extended term to April 2011;
- Reducing CIF's proportional net debt by $560 million;
- $102 million of Fund level cash for capital management initiatives;
- Initiated an on market buy-back.

During the six months ended 31 December 2008, CIF repaid and cancelled its acquisition facility. The cancellation will provide CIF with some cash savings from the avoidance of commitment fees.

In the past 12 months, CIF has reduced its total proportional net debt by $1.7 billion via asset sales.

Given recent market volatility CIF prudently extended its capital hedging position to 50% of its net foreign currency assets.[5] This hedging is in addition to the previously hedged 5 years of future distributions. Due to the revision of CIF's NAV, CIF will be targeting ~60% total hedging of CIF's NAV against currency movements. The benefit for securityholders is a closer alignment between the performance of underlying assets, regardless of their base currency, and the fund's NAV.

Net Asset Value

The Net Asset Value per CIF stapled security as at 31 December 2008 was $3.35 compared with $3.74 as at 30 June 2008. Whilst the assets have performed strongly over the period, increased expected cost of debt and increased risk premia required by equity investors, have accordingly resulted in a lower valuaton.

Performance Fee

CIF's relative performance over the last six months has been solid, culminating in CIF outperforming its benchmark, the S&P/ASX 200 Industrial Accumulation Index for the second consecutive period.

As a result of the outperformance of CIF relative to its benchmark, the deferred performance fee for the six month period ended 30 June 2008, announced on 21 August 2008, has become payable. Additionally a performance fee of $0.4 million is payable for the 6-month period to 31 December 2008. The performance fee is payable to Challenger Management Services Limited (the Manager) and Challenger Listed Investments Limited (the Responsible Entity).

[5] Net foreign currency assets net of market value of current foreign currency distribution hedges.

The performance fee (excluding the deferred component) applicable to the 6-month period to 31 December 2008 will be settled in cash and the deferred component will be settled in CIF securities.[6] 606,503 securities will be issued at an implied value of $2.74 per unit, which is equivalent to where CIF was trading when the manager elected to defer the performance fee.

Distribution Guidance

Consistent with previous market guidance, CIF has today announced an interim distribution of 12.0 cents per stapled security for the six months ended 31 December 2008. The distribution will be paid to securityholders on 27 February 2008 and is 100% funded from operating cashflow. The effect of this distribution strategy is a clear alignment of securityholder returns with underlying performance of CIF's assets. As previously announced, given the volatility in global equity and financial markets the CLIL Board has prudently decided that it will not confirm distribution guidance for the full year ending 30 June 2009.

Outlook

"Despite the challenging times confronting the global economy, CIF's high quality assets have performed well and CIF's proactive capital management initiatives have derisked the Fund and strengthened its balance sheet" said Mr Bickerton.

"As economic and financial markets remain unpredictable, CIF will continue to adapt and look for opportunities to improve operating efficiency of our underlying assets and further mitigate potential impacts from the slowing global economy. We will continue to proactively manage our capital in a prudent and conservative manner, as evidenced by our actions over the last six months. However, it is important to not under emphasise CIF's primary focus, which will continue to be on the longer term strategic imperatives of seeking further opportunities to strengthen the Fund, its balance sheet and underlying asset performance with a view to maximising securityholder value."

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 exposure to assets with long term predictable cash flows. CIF's portfolio is diversified across 3 key assets: Inexus, Southern Water and LBC. For further information please visit our website: www.challenger.com.au/cif

[6] Under the Management Agreement, base and performance fees to the period 30 June 2008 were payable in CIF securities. Fees thereafter are payable in securities or cash at the discretion of the Responsible Entity.

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