MARKET RELEASE

CIF FULL YEAR RESULTS

Strong EBITDA growth

Successful divestment of non-core assets

Reduced gearing and improved debt maturity profile

21 August 2008, Sydney – Challenger Infrastructure Fund (ASX: CIF) today announced its financial results for the year ended 30 June 2008. Key highlights for the year include:

- Statutory consolidated revenue of $400.2 million and EBITDA before specific items of $217.3 million
- Proportionate EBITDA[1] from its assets increased by 328% to A$314.8 million reflecting the contribution of new acquisitions and growth from the existing portfolio
- Proportionate EBITDA from continuing operations increased by 10% to A$340.3 million
- Purchase of Southern Water in October 2007 and the sale of three minority assets creating a portfolio of high quality infrastructure assets
- Reduction in proportionate net debt by $1.1 billion since December 2007[2]
- Planned repayment of Fund level senior debt in October 2008, reducing Fund level gearing to nil
- Average debt maturity profile of over 14 years
- Net Asset Value (NAV) of $3.74 cents per security, a decrease of 8% on 31 December 2007 NAV, predominately due to foreign exchange movements
- Payment of final distribution on 28th August 2008 of 19.5 cents per security bringing the FY08 distribution to 34 cents per security, in line with guidance
- Updated FY09 distribution of 34 cents per security, which is to be over 90% funded from operating cash flow of the assets of CIF

Steve Bickerton, Chief Executive of CIF said "Active management of the Fund portfolio has delivered a solid result. The strong growth in EBITDA was generated by contributions from new acquisitions and underpinned by the profile of the assets, which offer predictable and stable yields."

[1] Proportionate EBITDA reports CIF proportionate share of its asset's'EBITDA, net of management fees, Fund operating expenses management fees, and realised gains on foreign currency distribution hedges.
[2] Includes receivable from Arqiva proceeds.

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“Notwithstanding the challenges in current equity and debt capital markets, the Fund has successfully implemented its strategy of asset divestments, improving the quality of its distribution profile and reducing gearing levels.”

“CIF has strengthened its asset portfolio through the purchase of Southern Water and the sale of the non-core minority assets, providing a strong platform from which to grow. Following this change in the portfolio, CIF’s proportion of revenue derived from regulated sources grew from 48% to 70% over the year.”

“As a consequence of the costs incurred in addressing the activities of Arkmile Limited and the performance of certain LBC terminals, we have taken the opportunity to review distribution guidance for FY2009. This has resulted in CIF maintaining a level of distribution in line with FY2008’s distribution of 34 cents per security. This distribution will be over 90% funded from operating cash flow of our assets,” Mr Bickerton said.

Capital Management

As part of the Southern Water acquisition, CIF drew A$495 million and syndicated its senior debt acquisition facility. The facility was syndicated to seven major domestic and international banks. As at 30 June, the drawn amount was reduced to A$381million as a result of proceeds received from the sale of minority assets being used to partially repay debt. The facility is expected to be fully repaid in early October 2008 following receipt of the Arqiva sale proceeds. As a result, total proportional debt at 30 June 2008 reduced by A$1.1 billion[3].

CIF’s debt maturity profile is long dated with an average debt maturity of 14 years. The next major refinance event for CIF’s assets is the refinance of the Inexus debt facility, which matures in August 2010 and represents approximately 25% of proportional net debt.

In early 2008, CIF began a process of non-core asset sales. Northern Gas Networks, Wales & West Utilities and Arqiva were collectively sold at a premium to the 31 December 2007 Directors’ valuation. The proceeds from the sales were used for two key initiatives: aligning the cash flows from the underlying assets to CIF’s distribution profile and reducing Fund level gearing. These actions position CIF well for further growth from its existing portfolio with a strong balance sheet and an undrawn senior debt facility available until March 2010.

Portfolio Activity

In October 2007, CIF acquired 23.4% of Southern Water, a regulated water utility, as part of the Challenger-led Greensands consortium. Southern Water provides the Fund with a greater stability in

[3] Includes receivable from Arqiva.

cash flows, as well as enhancing future distributions as Southern Water's revenue growth is directly linked to its regulated capital value which is expected to grow significantly over the next 10 years.

Corporate Activity

During 2008, CIF received a non-binding unsolicited in-principle proposal from Arkmile Limited (Arkmile) to acquire CIF. However, no formal offer was received. Arkmile subsequently requested a General Meeting for CIF securityholders and then subsequently withdrew their request for such a meeting.

Asset Review

Inexus

Inexus produced an underlying EBITDA of £24.4 million, representing a growth of 29% for the year. The significant growth in EBITDA was driven predominantly by the completion of over 82,000[4] connections.

Inexus maintained its position as the leading provider of independent gas and electricity connections to new dwellings in the United Kingdom. In addition to these core product offerings, the year saw Inexus expand its capability to include water (Inexus received its water inset appointment in October 2008), fibre to the home and district heating. More than 8,000 water sales and 6,000 fibre sales were achieved for the year, a positive step for Inexus' multi-utility strategy.

Despite the current downturn in the UK housing market, Inexus connection rates for the year were ahead of budget. The level of connections were the highest Inexus has experienced. This performance underpins Inexus' stable and secure long-term regulated revenue streams.

LBC

LBC delivered an EBITDA of €57.4 million, at an EBITDA margin of over 39%. Capacity utilisation at LBC's terminals remained strong throughout 2008, with an average utilisation rate of 94%. The US terminals continued to deliver high EBITDA margins, around 57%, however some terminals in the European business underperformed CIF's expectations, largely due to operating costs.

During 2008, a number of the LBC expansion plans were successfully implemented. Phase 1 of LBC's joint venture with Ertisa to supply chemicals to Bayer was completed in January. Phase 2 is expected to be operational at the end of August 2008. In addition, a 20 year contract with a major worldwide oil producer was signed in Portugal during the year. In August 2007, LBC took its first strategic step into the Asian market with the acquisition of a storage terminal in Shanghai, China. The terminal is expected to provide a solid platform for further expansion in this high growth market.

[4] Includes Exoteric Gas Solutions.

Southern Water

Southern Water has made significant progress in its core strategy of delivering its capital programme in order to provide high quality services for water and wastewater customers. In respect of its £1.8 billion regulated capital programme, £1.2 billion has been completed by March 2008 leaving Southern Water well placed to achieve its regulated asset value growth for the current regulatory period.

In August 2008, Southern Water submitted its draft business plan to the UK water regulator, Ofwat, with a similar sized capital program planned for the next 5 year regulatory review period. This growth in the regulated asset base is due to: ongoing capital requirements from European Directives (regarding the treatment of wastewater and drinking water quality), the need to improve the use of water resources as well as population growth in the South-east of England.

Performance Fee

CIF's relative security price performance over the last six months has been solid, culminating in CIF outperforming its benchmark, the ASX 200 Industrial Accumulation Index.

Challenger Management Services Limited (CMSL) and CIF's Responsible Entity, Challenger Listed Investments Limited (CLIL) have agreed to defer payment of the A$1.6 million performance fee. The performance fee will become payable in the event that the Fund outperforms the Index in a future period.

Net Asset Value

The Net Asset Value per CIF stapled security as at 30 June 2008 was A$3.74 compared with A$4.05 as at 31 December 2007. Foreign exchange movements[5] caused a 21 cent decrease in the NAV. The remaining movement in the NAV is attributable to a change in the valuation of the Fund's assets as a result of current market conditions and the effect of CIF's cost of borrowing.

CIF continues to adopt a conservative approach to balance sheet and treasury management and has foreign currency hedging on 100% of forecast equity distributions on a 5 year rolling basis. This represents an implied hedge on the value of equity in the order of 36%.

Distributions

CIF confirmed its final distribution to securityholders for the six months ended 30 June 2008 of $68 million, equivalent to 19.5 cents per security, to be paid on 28 August 2008 to all securityholders on the register at the record date. This results in a full year distribution of 34 cents per security, in line with previous guidance. The distribution is 19% tax deferred.

[5] This is the translation of equity valuation to Australian dollars net of positive mark to market on distribution hedges.

CIF has undertaken a comprehensive review of its distribution policy as part of its ongoing capital management plan with a view to improving the quality of the Funds distributions. As previously announced, the distribution for 2009 will now be over 90% funded from the operating cash flow of its assets, following the removal of the debt funding of the distribution from Inexus.

Given the markets demand to have more transparency around how distributions are funded, CIF has further refined its distribution policy to work towards 100% of distributions being funded from the operating cash flows of its assets.

Due to the performance of certain LBC European terminals and, the unbudgeted costs incurred in relation to dealing with Arkmile CIF has elected to keep the FY2009 distribution at 34 cents per security. The forecast FY2009 distribution will be approximately 30% tax deferred.

Outlook

“The Fund is based on sound portfolio fundamentals. During the year, 70% of the revenue from the portfolio was derived from regulated sources. This will continue to underpin the long-term, secure, and stable cash flows the Fund will produce for the benefit of CIF securityholders.”

“CIF is in a solid position to commence the 2009 financial year. The Fund has three high quality growth orientated infrastructure assets, a stable distribution profile sourced from its assets operating cash flow and retained cash balances with no Fund level debt,” said Mr Bickerton.

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 security holders 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

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