



CIF announces solid 2008 Full Year Results

‘Active capital management of the 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’ said Steve Bickerton, Chief Executive of CIF.

‘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 in 2008 through the purchase of Southern Water and the sale of non-core minority assets, providing a strong platform from which to grow. Following this change in the portfolio, CIF proportion of revenue derived from regulated sources grew from 48% to 70% over the year.’

Statement of Financial Performance – Financial year ended 30 June 2008

Financial Performance	FY2008	FY2007	% Mvt – year on year
Statutory underlying EBITDA	217.3	69.7	212%
Proportionate EBITDA ¹	314.8	73.6	328%
Proportionate EBITDA from continuing operations ²	340.3	309.5	10%
Distribution per unit	34.0	32.1	6%

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 Proportionate EBITDA from continuing operations reflects CIF's share of EBITDA of Inexus, Southern Water and LBC. FY2007 reports proportionate full year 2007 EBITDA from these businesses to provide an appropriate year on year comparison.

³ Includes receivable from Arqiva proceeds.

Highlights for the year include:

- Statutory consolidated revenue of \$400.2 million and EBITDA before specific items of \$217.3 million
- Proportionate EBITDA 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 asset creating a portfolio of high quality infrastructure assets
- Reduction in proportionate net debt by \$1.1 billion since December 2007³
- Planned repayment of Fund level senior debt in October 2008, reducing Fund level senior debt 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
- Updated FY09 distribution of 34 cents per security, which is to be over 90% funded from operating cash flow of the assets of CIF.



CIF News

CIF divests three minority assets at premium to NAV

The portfolio of CIF has altered significantly in recent months as CIF has implemented its active capital management strategy. The strategy centered around the divestment of CIF's minority interests, which included: Northern Gas Networks, Wales & West Utilities and Arqiva, the end result of which has been an improvement in the quality of CIF's distribution profile, the reduction of proportional net debt by \$1.1 billion, the repayment of all of CIF's Fund level senior debt and a more focused streamlined asset portfolio. CIF's portfolio now comprises three significant investments:

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

Despite challenging market conditions, the assets were sold at a collective premium to their 31 December 2007 Net Asset Value (NAV), highlighting the embedded value in the portfolio.

'The asset divestment strategy has strengthened CIF's financial position compared to its position at the time of our interim results presentation in February this year,' said Mr Bickerton.



CIF reduces debt

Following financial close of the Arqiva sale in October 2008, all Fund-level senior debt will be repaid and CIF's gearing at the Fund level will reduce from 23.4% in December 2007 to nil in October 2008¹.

Furthermore, the proceeds have importantly decreased CIF's proportionate net debt by over \$1.1 billion since December 2007, from \$3.7 billion to \$2.6 billion.

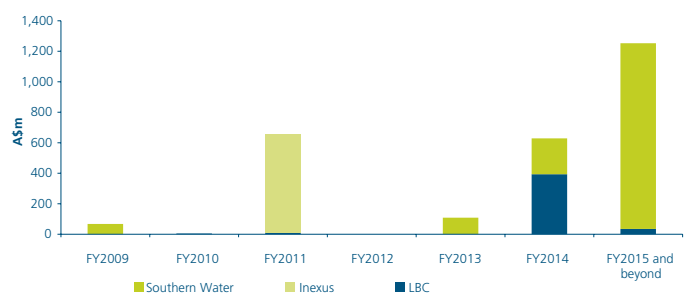
Post repayment of outstanding Fund level senior debt, CIF will be positioned well for further growth from its existing portfolio with a strengthened balance sheet and an undrawn senior debt facility available until March 2010.

'Combined with CIF's proportional weighted average debt maturity of approximately 14 years and the fact that CIF's next major refinance is not until August 2010, CIF's capital management initiatives have further strengthened its financial position,' said Lucas Barry, Chief Financial Officer.

'CIF's focus was, and continues to be, on three key areas of importance: optimising CIF's performance, maximising the organic growth in the portfolio of high quality infrastructure assets and the continued emphasis on capital management flexibility,' added Mr Bickerton.

'While the minority asset divestment strategy is complete, CIF will continue its focus on maximising the potential of a strong portfolio of infrastructure assets while pursuing further value-add opportunities which are in the interests of all securityholders.'

CIF Proportionate Debt Maturity Profile



¹ Based on assets under management and excludes RPS.



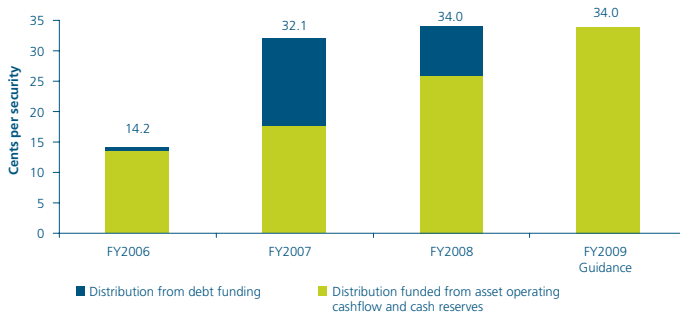
Quality distribution profile

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 Fund's distributions. The 2009 distribution will now be over 90% funded from the operating cash flow of the assets, following the removal of the debt funding of the distribution from Inexus.

In response to the market's 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.



CIF paid a 34 cent distribution for FY2008

On 28 August 2008, CIF paid its second half distribution of 19.5 cents per security, taking the 2008 full year distribution to 34 cents per security. The full year distribution represents a 6% increase compared to the 2007 year distribution and was 19% tax deferred.

LBC Update

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.

In August 2008, Mike McKinney was appointed by the LBC Board as Interim Chief Executive Officer of LBC. Mike has well sought after credentials in the chemical storage market, and his most recent credentials can be measured by the current performance of the US LBC business, which he led for over 10 years.

Under Mr McKinney's leadership, LBC will continue to look to optimise its portfolio. A key part of this strategy will be the buildout of the land bank at Houston and further expansion at the Ertisa site in Antwerp.

Incremental brownfields development is highly cash generative for the company, as it allows the company to leverage off its existing facilities. LBC will also continue to investigate new acquisition opportunities and greenfield developments. Asia remains a very attractive market and further expansion in this region following the acquisition of the Shanghai terminal is a core strategic focus

The LBC Board will be conducting a wider search for a suitable Chief Executive Officer with the appropriate skill set, drive and experience to deliver on LBC's growth potential.





Inexus community initiatives



In April 2008, 14 employees from Inexus undertook an ambitious bike ride from Cardiff to Paris in support of a number of worthy causes. The cyclists and two support vans took off en route and managed to navigate their way across the Channel and after an awe inspiring display of courage and fitness and stamina completed their journey in 7 days. No mishaps occurred on the adventure, other than the support vans getting themselves a little lost after they got off the Ferry in France, thank goodness the cyclists were better navigators! The riders did a fabulous job and managed to raise over £9,000 in total. The proceeds were to benefit 11 charities which included: British Heart Foundation, Marie Curie, Perthes Association, Parkinsons Disease Society, Zoe's Place, Cancer Research UK, Juvenile Diabetes, Cystic Fibrosis, Sports Relief, Cats Protection League and Epona Trust.

Investor relations

Jenny Warat-Hughes
CIF Investor Relations Manager

Challenger Infrastructure Fund

Level 15

255 Pitt Street

Sydney NSW 2000

Telephone: 9994 7663

Fax: 9994 7777

Email: cif@challenger.com.au

www.challenger.com.au/cif

Registry

Link Market Services Limited

Level 12,

680 George Street,

Sydney NSW 2000

Telephone: 1800 114 027 (within Australia)

Telephone +61 2 8280 7795 (overseas)

Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

www.linkmarketservices.com.au

2008 Events Calendar

23 December 2008	Ex-date for 2009 financial year interim distribution
31 December 2008	Record date for 2009 financial year interim distribution