

Challenger on track for continued growth

Challenger

4/3/2002

Financial services group Challenger International is on track to achieve its three-year after tax profit target of \$200 million by the end of 2004, following a strong interim net profit result of \$109 million for the six months to 31 December 2001.

Challenger Managing Director, Mr Bill Ireland, said the interim result reflected profits from the group's growing life company business, as well as encouraging contributions to profit from its UK operations.

Particular contributions to the result came from continued strong inflows into Challenger's market leading annuity product, supported by growing funds inflow into investment products.

According to ASSIRT, Challenger was a top ten recipient of retail funds inflow for the last two quarters to December 31, 2001. These inflows were led by the Howard Mortgage Trust, which at \$1.7 billion is the largest commercial mortgage trust in Australia.

Mr Ireland said 2002 was an important year of organic growth for the group, while working to absorb a number of acquisitions.

"The past few years has seen the Group grow rapidly through acquisition as well as organic growth. We are now concentrating on integrating these new businesses into the Challenger framework, and making sure they become profitable in their own right," Mr Ireland said.

As part of this strategy, Challenger has appointed Mr Steve Gilsenan as Chief Financial Officer. A key task in the new role will be to assess each business unit and underlying products in terms of strategic fit, growth potential and profitability. Mr Gilsenan previously spent 18 years with Bankers Trust, most recently as Chief Financial Officer, Bankers Trust Investment Bank.

The Challenger business is structured across five core divisions: Investment Services, Advisory Services, Corporate Financial Services, Property Capital and Retirement Incomes.

The Group currently has around \$2.2 billion in property holdings both in Australia and the UK. The secure long-term leases from these properties meet the long-term liabilities of the group's life company.

Mr Ireland said in addition to tight cost control, Challenger continued to reinforce its core strength of distribution, with significant investment in sales, marketing and distribution networks over the past 6 months.

"We remain focused on building a dynamic distribution team that is constantly in contact with financial planners, advisors, accountants and stockbrokers," he said. "This strategy is being borne out by the fact that today Challenger achieves one in every three long-term annuities sales in Australia."

Other corporate highlights during the six months to December 31, 2001 include:

- Growth of UK business: in November 2001 Challenger launched its first UK product - the Open Annuity. The product has generated enormous interest, as well as recent sales of £10 million per month. The Open Annuity is the first UK annuity product which allows annuity holders to pass their fund onto their dependents. For more information on Challenger's UK business go to: www.challengergroup.com - and look in the menu at the top of the page, select Group, then Companies, then United Kingdom;
- Launch of Challenger First Pacific: in January Challenger confirmed the purchase of CSFB's private client advisory business, and announced a new business - Challenger First Pacific - and a new revenue-sharing model to support the growth of the 100-strong advisor group;
- Emergence as a fund manager: achieving top-ten retail inflows, the group has maintained its position as the number one annuities provider; the number one mortgage trust (Howard); and leading Australian SRI fund (Ethical Investor);
- Continued growth of property base: a number of new property acquisitions over the past 6 months;

Mr Ireland said the group looked forward to continued growth during the year, which would be driven by strong sales of retirement income streams both here and in the UK, and a broadening financial services product base.

CHALLENGER INTERNATIONAL LIMITED		
Half Year	2002 (\$m)	2001 (\$m)
Sales	283.2	158.3
Pre-tax	121.6	72.4
Net profit	109	54
EPS	39.7 cents	22.2 cents
Interim Div*	2.4 cents (unfranked)	2.2 cents (unfranked)

*Date payable 12 April 2002 (record date 15 March 2002)

Challenger International is a diversified investment and financial services company listed on the Australian Stock Exchange. Challenger currently has in excess of \$9 billion of assets under management and over 100,000 investors in products offered by members of the Challenger Group in Australia, New Zealand and the UK.

###

For further information, or for a copy of Bill Ireland's Half-Yearly Results presentation, go to www.challengergroup.com

or contact:

Philippa Honner/Sheridan Lee at Shed Enterprises

Tel: (02) 9247 8533 / 0407 939 543

phonner@shed-ent.com.au