

Challenger Bolsters Board, Announces New Securities Issue

Challenger International

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Diversified financial services group Challenger International is pushing forward with its ongoing management restructure, announcing the appointment of three additional non-executive directors, and one director retirement.

The company also announced plans for an issue of convertible notes to raise additional funds of \$75 million. The issue is fully underwritten by Bell Potter, and will be used to fund long-term growth of Challenger's key annuities and funds management businesses.

Well known major shareholders and strong supporters of the company, Mr Kerry Packer and Mr Lloyd Williams, join the board as non-executive directors. Mr Packer brings to the Board a wealth of practical business experience, while Mr Williams brings significant Australian and international experience in property.

Former head of Investment Consulting at WM Mercer, Ms Brenda Shanahan, also joins as non-executive director, bringing more than 20 years' experience working in the Australian and international financial services industry. Recently resigned as non-executive director of BT Financial Group, Ms Shanahan is also non-executive director of Melbourne boutique funds manager JM Financial Group, and a Director of the Australian Wheat Board (AWB Limited).

The Challenger Board also announced with regret the retirement as a director of Mr Philip Brown. Mr Brown has been a director for fourteen years and has served on major Challenger subsidiary companies. The Board thanks Mr Brown for his commitment and contribution to the Challenger Group.

The Board additions are part of Challenger's stated initiative to reinforce the transparency of the group, as well as add depth to the management structure to support ongoing growth.

On 23 October the company announced the separation of the roles of Chairman and Managing Director, as well as a restructuring of the Board to remove all executive directors other than the managing director, and add non-executive directors.

Under the new structure, executive directors will form an executive board to oversee day to day operations. Challenger Chairman, Mr Gil Hoskins, said he was delighted to welcome the new non-executive directors to the Board. "Challenger is striving to build an even stronger and experienced leadership team that will underpin the ongoing growth of the organisation," Mr Hoskins said.

Challenger Managing Director, Mr Bill Ireland, added, "Our key businesses of annuities and funds management continue to attract strong funds inflow, with more than \$570m in new assets coming in since 30 June this year. With this continued growth, our focus is on maintaining our leadership position in key markets while streamlining activities surrounding these core businesses."

Challenger's two core divisions - Challenger Global Life and Challenger Investment Services - are each focused on a long-term strategy to capture the dynamic growth expected over the coming decades in superannuation and the retirement income business.

Challenger Investment Services growth is driven by superannuation and long-term compulsory savings, which has created an ongoing need for both investment products and financial planning advice. Challenger Global Life focuses on packaging market leading retirement solutions for retirees.

Highlights:

- Challenger continues as the dominant provider of annuities in the Australian market with over \$433m in annuity sales year to date, which compares favourably with last year's total sales of \$650m.
- Challenger supports its annuity program through its \$2.67 billion property portfolio of quality buildings in Australia, the UK and the US.
- The Board reports that first quarter growth has been outstanding in all main classes of business. Funds under management grew by 7.2 per cent for the quarter to end September 2002. Funds inflow continued to be strong for October.

New Securities Issue

To support growth in its main business lines, Challenger today announced an issue of convertible notes to raise additional funds of \$75 million. The issue will involve the placement by way of an excluded offer of 37.5 million 5-year securities having a coupon rate of 9.5 per cent and convertible to ordinary shares at a price of \$2.00 per share.

The issue is substantially sub-underwritten by a number of major shareholders, including Consolidated Press and Hudson Conway, and is fully underwritten by Bell Potter.

"Like many financial services organisations, Challenger is operating in a tough market environment. Our recent process of review and management restructure aims to position Challenger more strongly, and more strategically, in the current market, to the benefit of all shareholders and stakeholders, including management, staff and financial distributors," Mr Ireland said.

The issue will be subject to approval by shareholders at a general meeting to be held on 19 December, 2002, and will give Challenger an uncommitted cash balance of more than \$110 million.

Challenger International is a diversified investment and financial services company listed on the Australian Stock Exchange [ASX: CLI]. Challenger has almost \$10 billion in 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 go to www.challengergroup.com

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