

MARKET RELEASE

26 May 2005

CHALLENGER CONTINUES TO REALIGN ITS ASSET PORTFOLIO

26 May 2005, Sydney - Challenger Financial Services Group Limited (CGF) today announced that it will enter into or complete a number of transactions, which continue the process of realigning its assets and liabilities in the Challenger Life portfolio.

- Challenger Life will acquire interests in European infrastructure assets managed by Macquarie Bank Limited, via its European infrastructure fund, at a total cost of Euro 100 million (approximately A\$165 million). The fund currently has interest in five assets including:
 1. South East Water; a UK regional water company
 2. Arlanda Express; a rail transit operator based in Sweden
 3. Brussels Airport; in Belgium
 4. Energy Power Resources Limited; renewable energy assets in the UK
 5. And an additional investment in the Wales and West Gas transmission business.

Any further acquisition of assets will provide Challenger with additional exposure.

- Challenger Life has sold a commercial office building located at 50 Milk Street Boston, United States for US\$123 million (approximately A\$160 million) before transaction costs.
- Challenger Life will redeem the Commercial Mortgage Backed Securitisation (CMBS) of \$502 million on 20 June 2005 from internal resources. As a consequence of this transaction, debt in Challenger Life will have reduced by more than \$1.3 billion since 30 June 2004. Following redemption of the CMBS, Challenger Life, will be left with approximately \$340 million of debt, all of which is non-recourse to Challenger Life.

Challenger announced its commitment to invest in The Wales and West and Northern Gas Networks in August and November 2004 respectively. Both of these



transactions are scheduled to complete on 1 June 2005. Challenger's investment in UK Broadcast Asset owner NTL completed in January 2005.

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Note to Editors:

1. **South-East Water** is a regulated water utility that supplies water to approximately 1.5 million people in England's South East.
2. **Arlanda Express** is a high-speed dedicated rail link between Stockholm's main international and domestic airports at Arlanda and Stockholm Central Station - a distance of 42kms by road. The high-speed service travels at up to 200km per hour, providing a journey time of 20 minutes each way.
3. **Wales & the West Gas Distribution Network** is a regulated gas distribution network located in Wales and the South West of England. It is responsible for owning, maintaining and extending the network of pipes and associated infrastructure required to distribute gas within its geographic area. Challenger Life additionally has a direct interest of 8.6% in this asset
4. **Brussels Airport** is Belgium's largest airport in terms of both passenger numbers and size. The airport is located approximately 12 kilometres from the city centre of Brussels.
5. **Energy Power Resources Limited (EPRL)** owns and manages the UK's largest portfolio of biomass fuelled renewable energy assets. Almost 100 per cent of EPRL's power generation will be sold under long-term power purchase agreements.