

MARKET RELEASE

CHALLENGER EXPECTS POSITIVE IMPACT TO FY11 STATUTORY PROFIT

16 May 2011, Sydney – Challenger Limited (ASX:CGF) today announced that it has received confirmation from the Australian Tax Office (ATO) of Challenger's tax treatment of specific matters identified in a tax audit of prior years.

This will result in a positive impact to tax expense of circa \$35-40m to be recognised in FY11 statutory results (financial year ended 30 June 2011) which Challenger intends to report separately.

Tax Consolidation

In addition, as a result of a retrospective amendment to the tax legislation in 2010, Challenger has lodged a series of claims in relation to the Tax Consolidation treatment of rights to future income arising from Challenger's entry into current tax consolidation regime in 2003. The amended legislation allows for deductions to be spread over 10 years from 2003.

The Assistant Treasurer on 30 March 2011 announced a Board of Taxation review of the legislation surrounding the deduction for rights to future income. We understand that Challenger's claims will not be processed until the findings of this review are reported to the Assistant Treasurer. If our claims are successful it would give rise to an additional one-off positive impact to tax expense of circa \$45m (not yet recognised in our accounts).

Ends