

ASX ANNOUNCEMENT**2011 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS TO SHAREHOLDERS
19 OCTOBER 2011**

Codan followed last year's outstanding results with another strong year in 2011, with sales of almost \$170 million and an underlying net profit after tax of \$23.4 million. This was the second highest revenue and underlying profit in the company's history, and the statutory profit of almost \$22 million was the highest we have ever achieved. This result enabled the Board to increase the total dividend for the year to 9 cents per share, an increase of 12.5% over 2010.

Once again, the Minelab metal detection division performed very well. Minelab makes metal detectors for a wide range of purposes, including gold prospecting, artisanal mining, coin and treasure hunting, and land mine detection. The performance of this division during the 2011 financial year was assisted by the continued strength of sales of gold detectors into the North East African artisanal mining market, as well as by strong sales of coin and treasure machines into the European and North American markets. In addition, high gold prices have buoyed sales to weekend gold prospectors and retirees. Two new gold detector models were released during the year, as well as a new compact mine detector, which was well received by military and security customers.

It is pleasing to note that the performance of our radio communications division improved in the second half of the year. Our products and systems are designed for long-distance communications for both military and civilian applications, largely in developing countries. We recruited a highly experienced executive to lead our radio communications division early in the financial year. We have made it an important objective to expand our product offering in this area, by developing strong relationships with other technology suppliers in order to provide integrated solutions to our customers.

There has been significant growth in the sales opportunity pipeline in the radio communications military and security markets. Central Asia, India and China have emerged as key growth areas for the business, which is now well-positioned for growth in financial year 2012.

Our satellite communications division is based on selling discrete products to system integrators, who package our microwave radio products with antennas, modems and associated hardware for use in satellite earth-station systems. In contrast to our traditional radio communications division, we do not sell directly to the end-customer. The division has continued to underperform during the year. It has once again been adversely affected by difficult market conditions being experienced throughout the industry, largely caused by the slow recovery from the global financial crisis. Additionally, there is intense competition from rival manufacturers, and the high

Australian dollar has not been helpful. This resulted in a non-cash impairment charge of \$5.3 million after tax being recognised against the intangible assets of this division.

During the year, we divested our contract manufacturing division, Parketronics, which we acquired as part of the Minelab acquisition, and sold Codan Broadcast Products Pty Ltd, both of which we considered to be non-core operations. We also had the one-off benefit of just over \$4 million arising from the sale of Codan's minority interest in GroundProbe Pty Ltd in Brisbane. These items enhanced our reported profit for the financial year, but did not affect our underlying profit.

We have continued to develop the relationship with our Malaysian manufacturing partner, Plexus. Not only has this relationship lowered our product cost, but it has also helped to create a natural currency hedge by shifting a large portion of our cost base into US dollars. We have, however, remained a significant employer in South Australia. Of our total workforce of 450 people, approximately 350 of them are located here in South Australia.

We now look to our objectives for the 2012 financial year. In the metal detection division, we will continue to invest in developing products for the future, and work is underway to expand our gold detection business across the whole of Africa and other promising regions. Now that the new compact mine detector has been released, we will continue our work in getting it into the hands of customers in the military and security markets.

For our radio communications division, we have set an aggressive growth target of 15% per annum for the next three years. In order to achieve this, we have significantly boosted our sales team capability, invested heavily in product development and will continue to focus our business on military and security applications.

We have appointed a new US-based executive to lead the satellite communications division. He is reviewing every aspect of the business, including product positioning, market penetration and competition, and is working with the Board to determine the right plan for the future. We cannot allow this business to continue to underperform.

We have adopted a strategy of aggressively growing our market share with a focus on the military and maritime sectors. The acquisition of Locus Microwave Inc in May 2009 provided us with satellite communications products in the X-Band frequency, which is reserved for military and government applications, and while US government delays in certifying these systems for use have been very frustrating for us, this remains a strong focus for future growth.

Our ability to optimise the development and manufacture of electronics products and associated software, and an ability to do business almost anywhere in the world, stand us in good stead as we continue to identify acquisition opportunities. This continues to be an area of focus, and one we consider to be a high priority.

The first quarter of FY12 has been solid, with sales and profitability ahead of plan. While sales of gold detectors into the African artisanal market have softened, this has been more than offset by a strong start to the year for land mine metal detection products and also the Radio Communications division. Codan remains well placed to deliver another good year in FY12.

At last year's Annual General Meeting, Mike Heard retired as the Managing Director and from the Board, and we welcomed Donald McGurk as his replacement. Donald has successfully made the transition from his previous role as General Manager Radio Communications.

In June this year, we said farewell to Brian Burns who retired after 21 years on the Codan Board. Brian made an outstanding contribution to the company's success over that time, and served on the Board Audit, Risk and Compliance Committee, and on the Remuneration Committee.

On behalf of shareholders, I would like to thank Brian for his contribution to the company's success, and wish him all the best during his retirement.

We made two new Board appointments during the year. Scott Davies joined the Board in May 2011. Scott was Chief Executive Officer of Macquarie Communications Infrastructure Group from its inception in 2002 through to its sale in 2009. Corinne Namblard joined the Board in August 2011. Corinne has had a wealth of international experience, including 10 years as Chief Executive Officer of Galaxy Fund, a dedicated transportation infrastructure equity fund. We welcome both Scott and Corinne, and look forward to the diversity of skills and experience they bring to the Board.

Finally, I would like to sincerely thank Codan's workforce for the skill and dedication which have once again contributed to the company's success.

David Klingner
Chairman