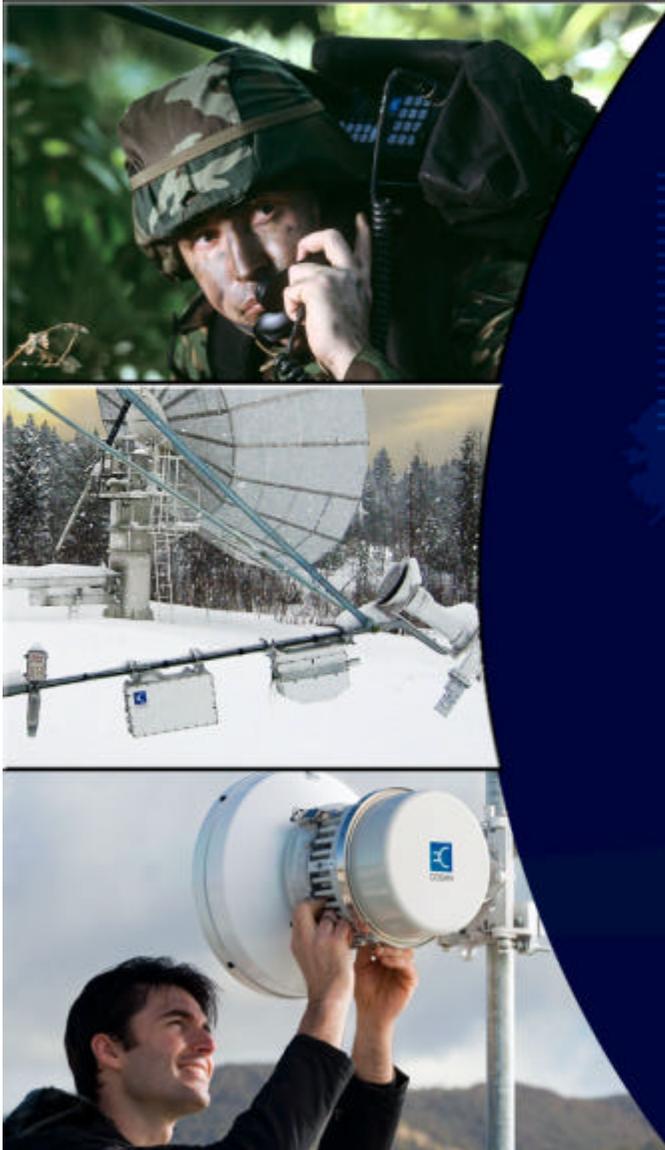




# Codan Limited Investor Presentation



## Full Year Results to 30 June 2007

**Monday 20 August 2007**

10:30am (Adelaide CST)

To view webcast, access via [www.codan.com.au](http://www.codan.com.au)

Link available on the home page

**Mike Heard**  
Managing Director & CEO

**James Mattsson**  
Company Secretary

**Michael Barton**  
Group Finance Manager

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# Company and Business Overview

- Australian electronics design and manufacturing company serving global markets for communications and TV broadcast products
- Niche products for international niche markets; products for government, business and aid organisations
- Exports 90% of revenue to over 150 countries
- 100+ distributors, dealers, agents and service centres globally
- FY 07 Revenue \$121.6m, NPAT \$11.2m (up 32%)

# Operations

- Head office in Adelaide
- 350 staff
- Design and manufacture in Adelaide and Melbourne
- Sales and customer service offices in Adelaide, UK, USA, China, India and Germany
- 500 communications and broadcast customers worldwide

# Products



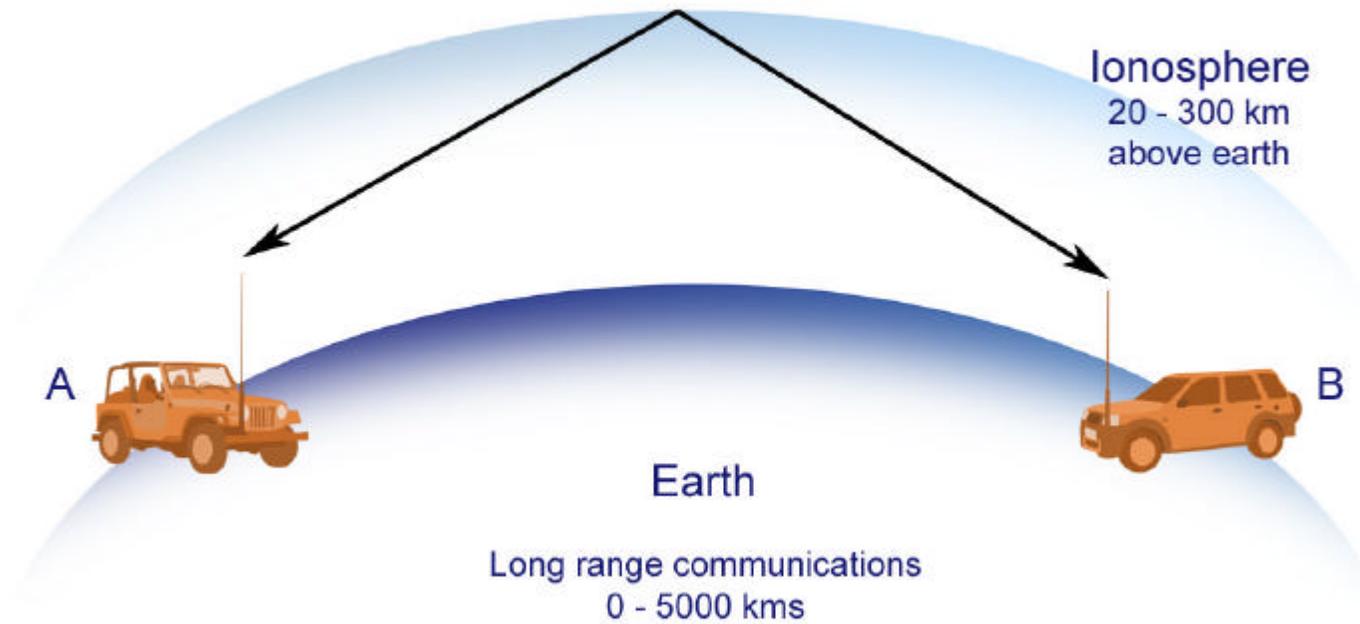
Codan offers high value-added electronic hardware products for:

- Communications
  - HF Radio
  - Satellite Communications
  - Digital Microwave Radio
- Television broadcasting (Codan Broadcast)

Codan also manufactures and imports printed circuit boards (PCBs) for its own use and sale to electronics manufacturers in Australia and New Zealand

# Products

HF Radio



# Products

## HF Radio



Radio transceivers, modems and accessories for land vehicle installed, base station and backpack applications.

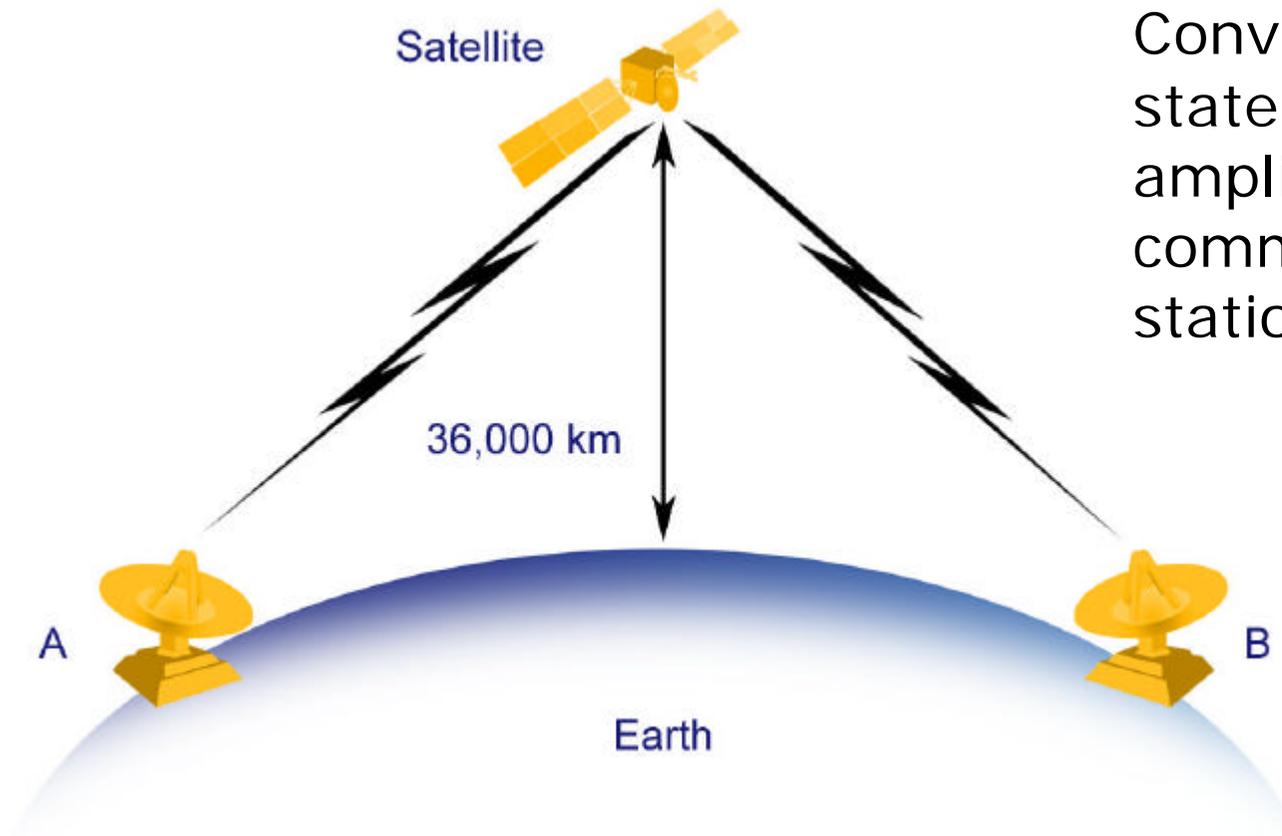
# Products

## Manpack HF Radio



# Products

## Satellite Communications



C and Ku Band  
Transceivers, Block Up  
Converters and solid  
state high power  
amplifiers for satellite  
communications earth  
stations.

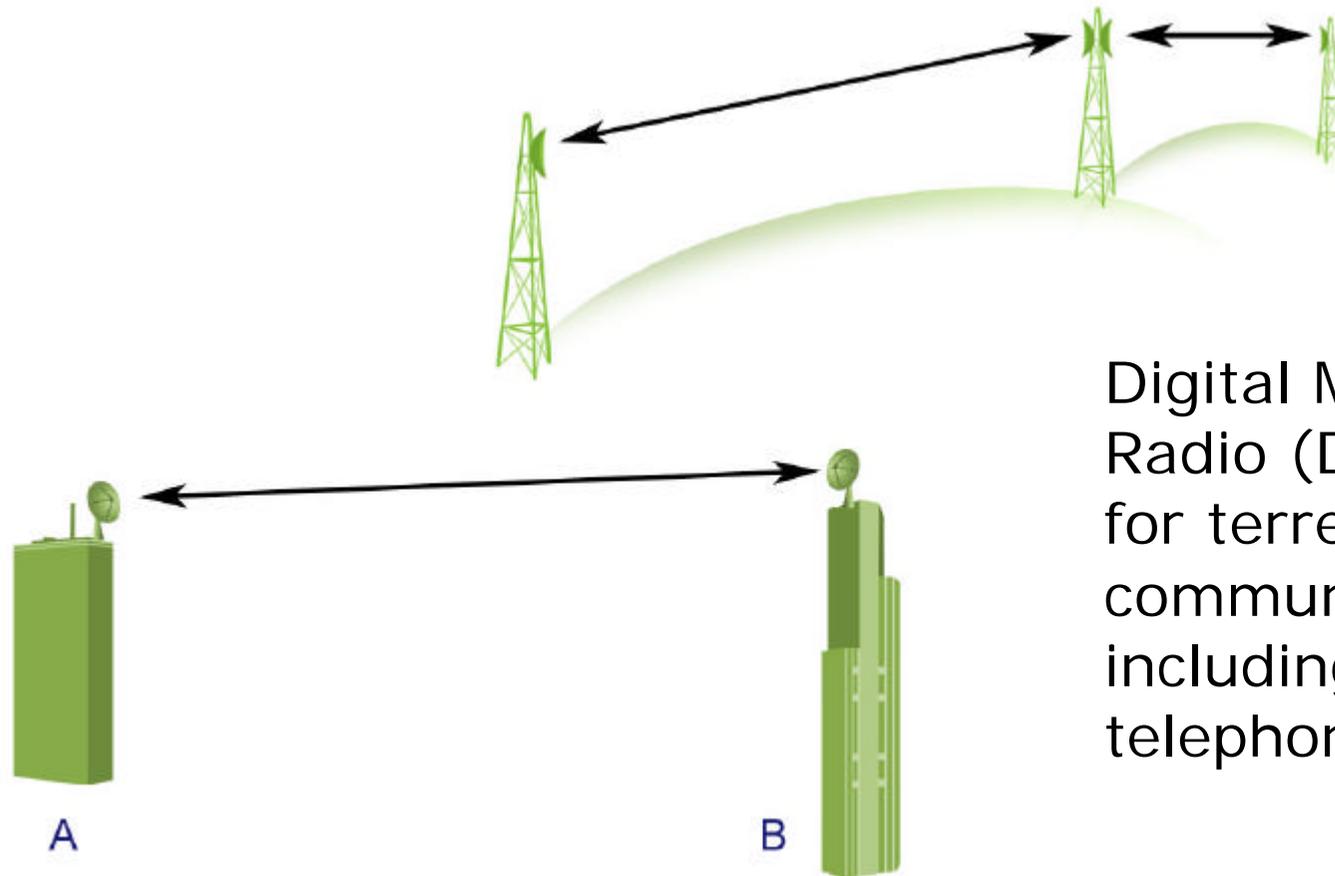
# Products

Satellite Communications Transceivers and BUCs



# Products

## Digital Microwave Radio



Digital Microwave Radio (DMR) links for terrestrial communications including cellular telephone networks

# Products

## Digital Microwave Radio



# Products

Broadcast



- Interface Equipment
- Signal Routers
- Monitoring Equipment

Equipment for the management, conversion, distribution and monitoring of digital and analogue, video and audio signals in a TV broadcast studio.

your vision delivered

# Products

Broadcast



**PROVIDEO modular interface products**



**TALIA routers, control panels and audio monitoring bridges**



your vision delivered

# Customers

- Law enforcement and security agencies
- Emergency service agencies
- Military forces
- Several other government agencies
- UN and NGO aid and humanitarian organisations
- Businesses
- Telecommunications service providers and systems integrators
- TV and video broadcasters and production houses (Codan Broadcast)

# Financial Results Full Year FY07

## Profit and Loss

	Audited 2007		Audited 2006	
	\$m	%	\$m	%
<b>Revenue</b>				
Total Communications Products	\$111.0		\$106.7	
Total Other	\$10.6		\$10.6	
<b>Total Revenue</b>	\$121.6	100%	\$117.3	100%
<b>EBITDA</b>	\$24.2	19.9%	\$20.0	17.1%
Depreciation	(\$3.1)		(\$3.2)	
Amortisation of deferred R&D	(\$4.7)		(\$4.5)	
<b>EBIT</b>	\$16.4	13.5%	\$12.3	10.5%
Interest	(\$0.6)		(\$0.7)	
Net profit before tax	\$15.8	13.0%	\$11.6	9.9%
Tax	(\$4.6)		(\$3.1)	
<b>Net profit after tax</b>	\$11.2	9.2%	\$8.5	7.2%

The company's average exchange rate for its exposure to the US dollar in FY07 was 77.4 US cents to the Australian dollar compared to a rate of 74.6 US cents to the Australian dollar in FY06.

# Financial Results Full Year FY07

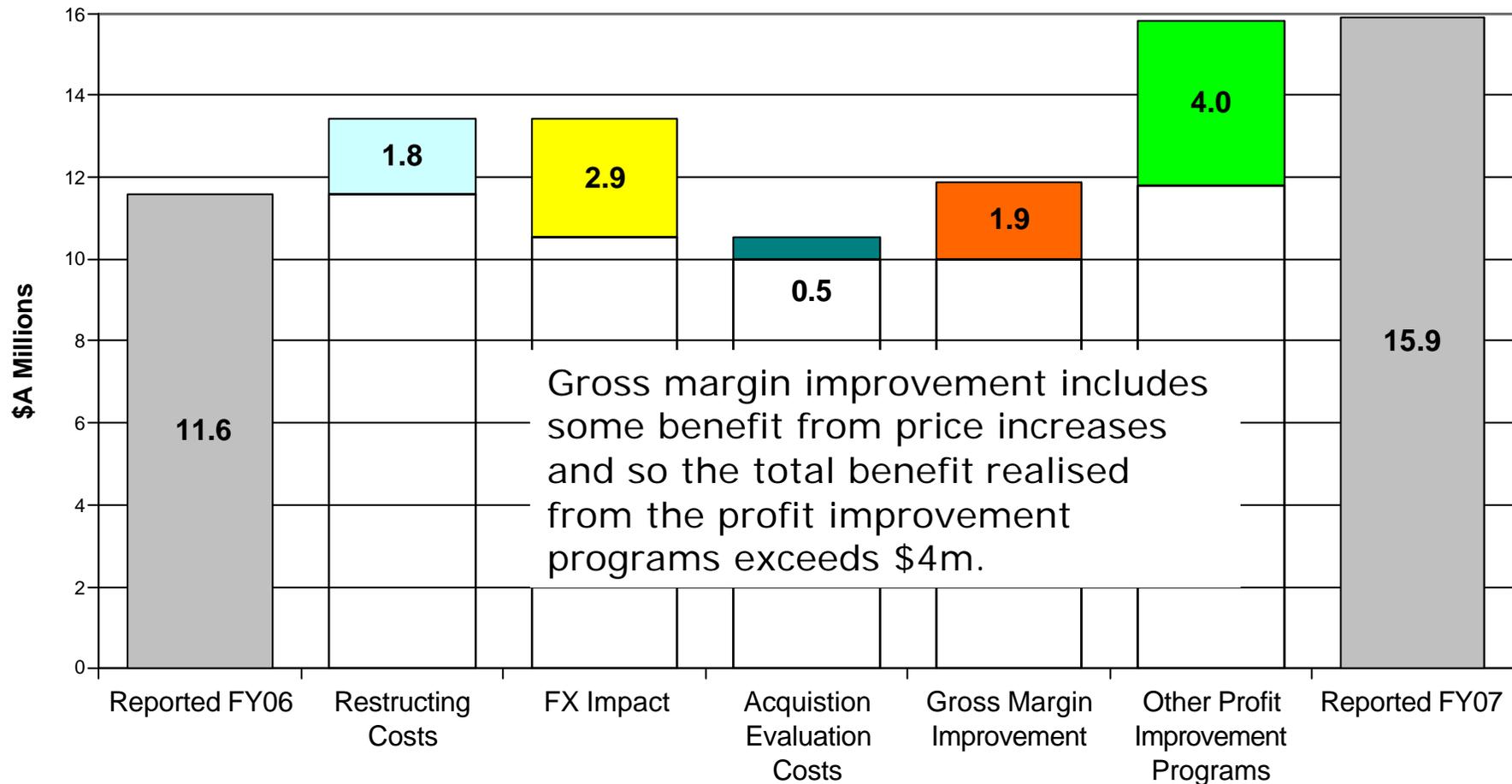
## Key Issues – Profit and Loss

NPAT growth 32% from revenue growth of 3.7%

- HF revenue down somewhat due to contraction in the company's current market segment
- Satellite communications revenue up significantly; improved market share from the success of newer product family
- Significant improvement in profit margins from restructuring and other profit improvement measures
- Negative impact on EBIT of exchange rate movements \$2.9m
- Costs of \$0.5m associated with evaluation of potential acquisitions

# Financial Results Full Year FY07

## Reconciliation - Net Profit Before Tax



# Financial Results Full Year FY07

## Balance Sheet

	June 2007 \$m	June 2006 \$m		June 2007 \$m	June 2006 \$m
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash	5.9	1.4	Accounts Payable	12.7	15.1
Receivables	15.7	22.0	Other	-	-
Inventories	14.1	17.3	<b>Borrowings</b>	<b>2.4</b>	<b>12.9</b>
Other	1.9	1.9	Provisions	5.3	3.5
	<u>37.6</u>	<u>42.6</u>		<u>20.4</u>	<u>31.5</u>
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>		
Investments	-	-	Borrowings	-	-
Property, Plant & Equipment	17.8	19.6	Provisions	4.0	3.9
Product Dev't	14.4	16.4		<u>4.0</u>	<u>3.9</u>
Intangible Assets	25.0	25.9	<b>TOTAL LIABILITIES</b>	<b>24.4</b>	<b>35.4</b>
Other	0.1	0.1			
	<u>57.3</u>	<u>62.0</u>	<b>NET ASSETS</b>	<b>70.5</b>	<b>69.2</b>
<b>TOTAL ASSETS</b>	<b>94.9</b>	<b>104.6</b>	<b>SHAREHOLDERS EQUITY</b>		
			Share Capital	23.7	23.7
			Reserves	0.4	(0.2)
			Retained Profits	46.4	45.7
				<u>70.5</u>	<u>69.2</u>

# Financial Results Full Year FY07

## Key Issues – Balance Sheet

- Good working capital management and low capital expenditure on property, plant and equipment
- Excellent cash generation of \$25.7 million
- Retired \$9.2 million of debt
- Paid \$10.5 million dividends
- Surplus of cash over borrowings of \$3.5 million at year-end

# Financial Results Full Year FY07

## Dividend

	<b>Actual 2007</b>	<b>Actual 2006</b>
<b>Earnings per ordinary share (cents)</b>	<b>6.9</b>	<b>5.2</b>
<b>Interim dividend (cents) per ordinary share</b>	<b>3.0</b>	<b>2.5</b>
<b>Final dividend (cents) per ordinary share</b> (payable October, fully franked)	<b>3.5</b>	<b>3.5</b>
<b>Total dividend (cents) per ordinary share</b>	<b>6.5</b>	<b>6.0</b>
<b>Franking</b>	<b>100%</b>	<b>100%</b>

**Record date**

**17 September 2007**

**Payment date**

**2 October 2007**

# Outlook

Business Environment in FY08

- Contraction in Codan's current HF market segment
- Other market segments quite sound
- Strong uptake of Codan's newer satellite communications products
- Strong currency headwind; 100% of net exposure to USD hedged at average of 83.8 US cents



# Outlook

## Key Initiatives in FY08

- Continuing improvements in productivity and efficiency
- Major market launches in HF radio, digital microwave radio and TV broadcast products to stimulate growth
- Continued activity with respect to potential acquisitions



# Outlook

Continuing improvements in FY08

- Restructuring and other profit improvement programs delivered \$4m profit before tax improvement in FY07
- Targeting an additional \$2m profit before tax from productivity and efficiency improvements in FY 08
- Continuous improvement is enshrined in Codan

# Outlook

## Market Launches in FY08

In the first half of FY 08:

- HF radio launch into a global military market segment
- Digital microwave radio launch in Africa, Middle East, Eastern Europe and CIS
- TV broadcast router products launch in North America and Europe

# Outlook

## Acquisitions

- Very active on several communications products opportunities aimed at delivering medium to long term benefit
- This endeavour takes time and requires caution
- Only the right acquisitions at the right price
- These activities could increase or decrease profitability in FY08

# Outlook

## Summary and Guidance

- Orders in July and August to date are good
- Many variables will affect performance in FY08
- Guidance remains that NPAT could decline in FY08; too early to make an accurate forecast
- Noting the current orders and cash position the maintenance of a fully franked interim dividend of 3.0 cents per share is expected

# Outlook

## Corporate Growth Objective

- Good underlying growth in FY06 and FY07 negated by continued substantial strengthening of the Australian dollar
- Significant increases in productivity and efficiency have reduced this impact in FY07 and will continue to do so in FY08
- Ongoing organic growth to be supplemented with the right acquisitions at the right price
- Performance in FY08 very hard to predict at this stage
- Considering the many important initiatives, FY08 to be a new base for significant medium to long-term growth



Questions?



Thank you for your support of Codan