

Announcements

Australian Stock Exchange

RE: Codan Limited (CDA)

Codan Limited
ABN 77 007 590 605
81 Graves Street
Newton SA 5074
Australia

PO Box 96
Campbelltown SA 5074
Australia

Following the announcements of our half year results on 24 February 2006 and the letter from our Chairman, released to the market on 1 March 2006, there has been further deterioration in the Company's share price. This has led to a Stock Exchange query received yesterday and replied to today.

The Board now wishes to further state that it believes the current share price is not a true reflection of the reasonable long term worth of the company. It has therefore decided that since the market is fully informed of the company's position, restrictions on senior employees and Board members in relation to trading in the company's shares (as outlined in the company's annual report for 2005) should be waived at least for a time. It therefore intends to lift those restrictions in 7 days time, to allow for purchases for 4 weeks from that date.

Clearly this is a year in which the Company's results will be less than satisfactory and in addition, there will be one-off costs this year related to the implementation of the steps referred to in the Chairman's letter, excerpts of which are republished as an attachment to this statement. Those steps, fundamentally, are aimed at improving the Company's ability to operate in the economic environment created by the continuing strong Australian Dollar. The program is proceeding as planned.

On Behalf of the Board



David Hughes
Company Secretary

12 May 2006



CODAN

ATTACHMENT

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Excerpts from the letter from the Chairman of Codan Limited released to market on 1st March 2006

PO Box 96
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"It seems to me to be important that shareholders be reassured that Codan continues to be the same very professionally managed company, extremely well regarded by its global customer base, competitively supplying around 90% of its output to mostly professional users in 150 countries around the world.

There have been other short term profit setbacks during the company's more than forty year history prior to its listing in 2003. Obviously there will be others in the future.

This one is primarily due to Codan's exposure to direct effects arising from the strength of the Australian dollar in its relationship with the US dollar. Much, although not nearly all of our product is sold in US dollars and the offsetting influence of our purchase of US dollar inputs is not sufficient to cancel the foreign currency effect on our revenue and therefore profitability.

We have no reason to believe that this position has caused any loss of market share. However, there is considerable pressure on the company to reduce the cost associated with its products and operations. This, of course, is being vigorously addressed in a number of ways. It is unfortunate that such a program always takes longer than one would like if damage to the organisation and its customer reputation is to be avoided.

The company has recently completed significant steps to build a platform for continued profitable growth. It has increased capacity and improved efficiency by expanding the Adelaide factory and implementing a new IT business system, and it has released to market important new products in all product groups. Substantial market uptake of new products can take some time as customers trial them and factor them in to upcoming projects. The early signs are encouraging."