

**ANNOUNCEMENT  
CODAN LIMITED ACQUIRES  
USA SATELLITE COMMUNICATIONS COMPANY**

**Codan Limited**  
81 Graves Street  
Newton SA 5074  
Australia

Codan Limited (ASX: "CDA") today announced a strategic expansion of its satellite communications business, acquiring Pennsylvania-based Locus Microwave Incorporated for \$US3.03 million (\$A4.3 million).

PO Box 96  
Campbelltown SA 5074  
Australia

Locus is a specialist microwave technology company based in State College Pennsylvania, primarily focused on the design, manufacture and supply of microwave radio products for satellite communications.

Codan's Managing Director, Mr Mike Heard, said the acquisition will significantly broaden the global reach for the Group's existing extensive international satellite communications business and, in particular, will add exciting new products for Codan's worldwide customer base.

Mr Heard said that while the Locus business was in the early stages of its development cycle, it had already developed a strong foundation of intellectual property, know-how and products in an emerging area of the satellite communications industry. "This is a strategic investment that positions the company well to capitalise on X-Band, a market currently being developed specifically for military and government purposes. This new market offers substantial future opportunities to the Codan Group over the medium to long term," he said.

"Growth in the Locus business will come primarily from the deployment of numerous dedicated government X-Band satellite communications networks including the Wideband Global Satellite Communications (WGS) satellites. The WGS satellites will be utilised by Government customers in both the United States and Australia with the second of the six satellite systems successfully launched last month. Locus will start to deliver significant profits from the 3<sup>rd</sup> year of operating within the Codan Group." The initial acquisition price has been entirely debt funded via facilities from Codan's bankers. An 'earn out' arrangement has been agreed with the vendors of Locus whereby they can receive additional consideration of USD1.05 million over a three-year period based on Locus's performance.

Mr Heard said that while Codan has sufficient banking facilities to fund the Locus transaction, as announced last week and as part of prudent capital management, Codan is pursuing an ongoing program to strengthen its balance sheet. Further initiatives will be announced in coming months.

The Locus X-Band products and technologies immediately increase the size of the addressable market available to Codan's Satellite business. For over 15 years Codan has been a market leader in the supply of similar products operating at C-Band and Ku-Band, which are used in both the commercial and government markets globally.

The acquisition will enable Codan to establish closer contact with the North American Satellite market with the addition of Locus's product development and manufacturing base in State College.

## **Locus will integrate well with Codan's existing Satcom business unit.**

The Locus Founders each have over 25 years' experience in the design, supply and sale of high performance and custom microwave and radio frequency ("RF") products.

The Locus business will continue to be managed and operated by its Founders from its State College facility, with all Founders committed to the Codan Group for a minimum of 3 years.

Codan and Locus have highly complementary sales, marketing and product design expertise, and working within the Codan Group this expertise will be leveraged to the benefit of both businesses.

## **Codan ownership adds significantly to the Locus value proposition.**

Codan's world-class manufacturing expertise will enable Locus to more quickly and efficiently meet emerging market demand for X-Band products Codan will also add value by providing solid processes and systems as well as backoffice support.

Codan looks forward with confidence to bringing the Locus people and the business into the Codan fold and to continuing to develop the strong microwave & RF product development and manufacturing expertise to increase both companies' market share in the satellite communications industry.

R J B Moody  
Company Secretary  
1<sup>st</sup> May 2009

## **FOR ADDITIONAL INFORMATION, PLEASE CONTACT: -**

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## **About Codan**

Codan, which listed on the Australian Stock Exchange in November 2003, designs, manufactures and markets a diversified range of products and systems for the international high frequency radio, satellite and terrestrial microwave communications markets, and for the consumer and countermeasures metal detection markets.

This year Codan celebrates its 50<sup>th</sup> year in business.

For the past 15 years, Codan has been a leading supplier of high quality RF & microwave sub-systems with over 20,000 C-band and Ku-band transceivers and block up-converters installed and successfully operated by many of the world's leading System Integrators of satellite communications systems.