

31 May 2012

Codan Limited
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Australia

ASX ANNOUNCEMENT

PO Box 96
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Australia

**CODAN LIMITED TO SELL SATELLITE COMMUNICATIONS ASSETS TO
CPI INTERNATIONAL**

Codan Limited (ASX: "CDA") advises that it has reached agreement to sell its satellite communications assets to CPI International Holding Corp. and its wholly-owned subsidiary CPI International, Inc (CPI) for a payment of USD 9 million cash, subject to certain adjustments, and a maximum of USD 4.5 million in additional payments if certain earn-out objectives and financial targets are achieved over the next two years. The sale consists of Codan's Australian-based satellite communications assets and 100% of the shares of Locus Microwave Inc.

Codan will assist CPI with manufacturing, training and support for a period of approximately 9 months following completion to ensure continuous supply to its customers. CPI will continue operating an engineering hub in Adelaide.

The sale, which is scheduled for completion on 30 June 2012, is subject to a number of conditions typically applied in respect of transactions of this nature.

Codan's Managing Director, Donald McGurk, said "as we evaluated strategic options for our satellite communications products, we realised that our market position was too narrow in this large and consolidating US centric industry. We decided that the best option was to sell to a buyer with a broader position in the industry and we feel we have found that buyer in CPI."

CPI is a leading provider of microwave, radio frequency, power and control solutions for critical defence, communications, medical, scientific and other applications. CPI and Codan satellite communications serve many of the same commercial and military communications customers, and Codan satellite communications' excellent reputation and worldwide coverage will both complement and expand CPI's current business in the satellite communications market. With the addition of Codan satellite communications' products to CPI's existing portfolio of satellite communications products, CPI will offer customers the most complete line of satellite communications amplifiers operating at all satellite uplink frequencies and power levels.

The sale will result in a one-off write down of approximately AUD 3 million. The sale of the satellite communications operation will reduce Codan's net exposure to the USD, will have a positive impact on Codan's profitability and allow it to focus on its higher growth businesses and other market opportunities.

The Board of Codan Limited reaffirms its recent upgrade to underlying net profit after tax of in the region of \$26 million for the full financial year.

Michael Barton
Company Secretary