



14 December 2005

CODAN LIMITED

ANNOUNCEMENT – FIRST HALF FORECAST

Codan Limited announced at the Annual General Meeting on 28 October 2005 that, for a number of reasons, the first half profit for this year was likely to be significantly less than for the same period last year.

The strength of the Australian dollar this year, compared to the hedged position of US\$0.62 last year, is likely to reduce revenue by approximately A\$7 million in this half year period. Whilst the company has some offset of this impact through the importation of components and some expenses also in US\$, the majority of this exchange rate variation directly impacts profit.

The strategy to counteract this effect has been to grow volumes through the release of new products across all of the Company's product ranges, together with growing market share through an increased focus on targeted sales and marketing activities. This strategy is showing positive signs with growth in unit volumes across most product ranges this year compared to last year. This unit volume growth is as yet insufficient to offset the substantial impact of the exchange rate.

As a result, the Board believes the profit for the first half of this year will be at least 50% lower than for the same period last year.

The second half is still difficult to predict due to a number of factors including the uncertainty of the exchange rate, and we remain unhedged during that period.

On behalf of the Board

David Hughes
Company Secretary