



CODAN

Clever Products. Global Markets.

Investor Presentation

Codan Limited Business Performance Half Year 2011



Donald McGurk
Managing Director and CEO

Michael Barton
Chief Financial Officer



Codan Overview

- Codan Limited (ASX: CDA) design, manufacture and market "clever" products for global low to medium volume niche markets.
- ~ 500 employees
- Exports represent approximately 85% of revenues to more than 150 countries
- Business segments:
 - Communications
 - Radio
 - Satellite
 - Metal detection

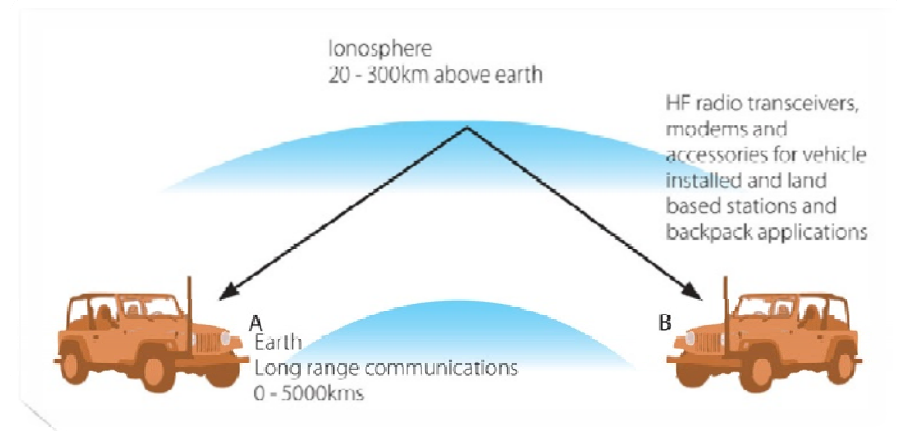
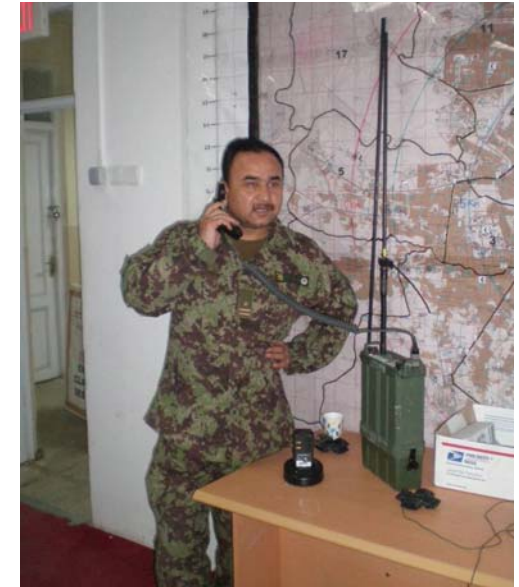


Clever Products	Global Niche Markets
Innovative products of our own design	Demand in many countries, often the developing world
High intellectual property content, high value-add	Global market size hundreds of millions of dollars (not billions)
Exceptional performance, reliability and support	Likely that Codan will be a market leader
Electronics products preferably	"Below the radar" of large potential competitors

Communications

HF Radio Communications

- Products and systems for remote area long distance radio communications
- Used for:
 - Rapid network deployment
 - Communications without the need for transmission infrastructure
 - Back-up emergency communications
- End user organisations:
 - Security
 - Military
 - Peacekeeping and humanitarian



Communications

HF Radio Communications

- The preferred supplier of HF communications products and systems to the developing world military, global security and peacekeeping markets
- Compelling value proposition
 - Class-leading reliability with operational simplicity
 - Complete suite of operational features at the lowest life-cycle cost
- Industry-leading capabilities
 - Digital Voice
 - Frequency Hopping
 - Encryption
 - High Speed Data
 - Interoperability



Communications

HF Radio Communications

Markets / Competitive Landscape

- Military & Security
 - Leverage off Codan experience in industrialising markets
 - Codan offers flexible, best-value solutions for maturing security markets
- Peacekeeping/NGO Agencies
 - Preferred supplier with the largest installed base
- Commercial
 - Fragmented and declining market, strong Codan brand

Growth Strategy

- Provide integrated customer solutions (radio communications)
- Adjacent markets, technologies, products
- Leverage strong, established market positions in the developing world (Africa, China, India, Far East)



Communications

Satellite Communications

- World leading supplier of RF Subsystems for Satellite Earth Stations
- Customers include system integrators, service providers and mobile antenna platform manufacturers
- Market segments include, maritime and offshore, mobile telecommunications, government and military networks



Maritime & Offshore



Telecom Network Infrastructure



Government & Military Networks

Communications

Satellite Communications

Highly Competitive and Consolidating Market

- New Executive leadership based in the US
- More US centric model
- Innovative / integrated product solutions to move up the value chain
- Excellence in manufacturing

Growth Strategy

- Improved access to Government and Military markets through Locus X-Band
- Continue to dominate rapidly growing maritime segment
- Exploit and explore (adjacent markets, technologies, products)



Codan Satcom HQ in Pennsylvania USA



Minelab Metal Detectors

Minelab supplies metal detection products and systems for **Consumer, Mine Clearance and Artisanal Gold Mining** markets



Premium
ETRAC

- **Consumer:** Detection of gold nuggets, coins, treasure and artefacts by serious hobbyists, semi-professional prospectors and archaeologists

- **Mine Clearance:** Detection of land mines and unexploded ordnance by government and NGO demining organisations and the military

Countermine F3



- **Artisanal Gold Mining:** Detection of gold as a commercial enterprise by small groups of prospectors

Gold Machine
GPX5000



Minelab Metal Detectors

Consumer

Markets

- 1st world leisure market i.e. retirees, archaeologists, treasure hunters
- USA is the largest single market

Competitive Landscape

- Largest global market share
- Competition is US based and entrenched in that market
- Superior mid to high end products
- Significant patent protection
- Strong investment in innovation

Growth Strategies

- US focus
- Emerging country markets
- 1st world markets:
 - Growing populations
 - Wealth increasing
 - Activity increasing in popularity



Minelab Metal Detectors

Mine Clearance

Markets

- Estimated to be 50-100 million unexploded land mines globally
- Unexploded Ordnance (“UXO”) – explosive weapons that did not explode
- Improvised Explosive Device (“IED”) – roadside bombs
- Project-based business (Timing of large orders)

Competitive Landscape

- Only 3 or 4 significant competitors globally
- Technologically superior
- Not just about performance, price important

Growth Strategies

- Additional resources in the US
- Leverage of HF Radio success in Africa
- Release of F3 compact metal detector for armed forces
- Military and security market focus (IED and UXO)



Minelab Metal Detectors

Artisanal

Markets

- Developing world market focus
- Commercial enterprise
- Huge success in Africa

Competitive Landscape

- Dominant position based on superior technology
- First entrant into growing market
- Brand recognition in the “boom” markets
- Codan/Minelab history in dealing in “remote” regions

Growth Strategies

- Investment into existing markets
- Development of new markets
- Substitute technology
- “Rushes” lead to stable and significant residual markets



Acquisition strategy

- Codan has assigned high priority and resources to acquisitions
- Successfully acquired and integrated Minelab and Locus Microwave
- Strategic acquisitions are considered critical for the long-term growth plan:
 - Bolt-ons:
 - Strengthen existing business units
 - Increasing market share and position
 - Access to adjacent markets, technologies and products
 - Diversifications:
 - Clever products in global niche markets
 - Potential to be number 1 or 2 in our niche
 - Australian, New Zealand, North America or European focus

Business Update

- Financial performance in line with guidance
- New Managing Director and Chief Executive Officer
- Business streamlined through divestment of non-core assets
- Minelab performance while not at the peak of FY10 remains very strong
- HF Radio Communications has strong order book and sales pipeline for second half
- Satellite Communications currently being restructured to foster future growth

Financial Overview – Sales

FULL YEAR RESULTS	Half Year Dec 10		Half Year Dec 09		Half Year Dec 08	
	\$m	%	\$m	%	\$m	%
Revenue						
Communication Products	33.0	39%	38.1	43%	41.2	58%
Metal Detectors	46.6	56%	45.0	50%	21.9	31%
Other	4.2	5%	6.3	7%	8.0	11%
Total Revenue	83.8	100%	89.4	100%	71.1	100%

- Strong performance of Minelab:
 - Relatively high demand in the artisanal gold mining market
 - Strong in the consumer and mine clearance markets

- Communications products:
 - Sales of HF Radio products in line with second half of FY10, timing of major projects has impacted results
 - Difficult market conditions have continued for Satellite Communications

Financial Overview — P&L

FULL YEAR RESULTS	Half Year Dec 10		Half Year Dec 09		Half Year Dec 08	
	\$m	%	\$m	%	\$m	%
Total Revenue	83.8	100%	89.4	100%	71.1	100%
Underlying Business Performance						
EBITDA	20.2	24%	26.6	30%	16.8	24%
EBIT	16.2	19%	22.3	25%	12.9	18%
Interest	(1.4)		(1.6)		(3.0)	
Net profit before tax	14.8	18%	20.7	23%	9.9	14%
Underlying net profit after tax	10.4	12%	14.8	17%	7.2	10%
Gain of sale of investments	4.3		-		-	
Net Non-recurring expense after tax	(0.7)		(1.2)		(0.5)	
Net profit after tax	14.0		13.6		6.7	

- Strong profitability has continued and is in line with guidance
- Expense investment in sales, marketing and engineering
- Gain on sales of investments relates to a minority interest held in GroundProbe \$3.6m and the sale of our subsidiary Codan Broadcast Products Pty Ltd \$0.7m
- \$0.7m of costs associated with integration of the Minelab and US based Locus Microwave businesses

Financial Overview — Balance Sheet

	Dec 10	Jun 10	Jun 09
	\$m	\$m	\$m
Working Capital			
Receivables	15.2	12.5	16.1
Inventories	22.4	25.1	14.2
Payables	(17.6)	(28.4)	(17.5)
Total Working Capital	20.0	9.1	12.8
Property, Plant & Equipment	20.5	21.1	23.2
Product Development	21.4	19.0	15.2
Intangible Assets	60.9	61.9	77.2
Other	3.0	1.9	2.8
Total Assets	125.8	113.0	131.2
Other Liabilities	(15.2)	(17.6)	(8.1)
Net Operating Assets	110.6	95.4	123.1
Net Debt	(37.8)	(30.4)	(59.1)
Net Assets	72.8	65.0	64.0

- Debtor collection has remained excellent
- Inventory investment made in order to maintain capacity and supply into Minelab and HF Radio markets
- Creditors have reduced as manufacturing processes and inventory balances have stabilised
- Significant tax payment (\$6 million) made in this half year that related to FY10

Financial Overview – Dividends

	HY11	FY10	FY09
Interim dividend per ordinary share	4.0 cents	3.5 cents	3.0 cents
Final dividend per ordinary share		4.5 cents	3.5 cents
Total dividend per ordinary share		8.0 cents	6.5 cents
Franking	100%	100%	100%

Record date

18 March 2011

Payment date

1 April 2011

Interim dividend increased to 4.0 cents per share and reflects management's and the Board's confidence in the fundamental strength of the business

Outlook for second half FY11

Communications Products

- **HF Radio** – strong orders on hand and robust sales opportunities pipeline. Second half will be driven by timing of major products
- **Satellite Communications** – focus for the second half is on profitability improvement and the development of Locus X-band orders

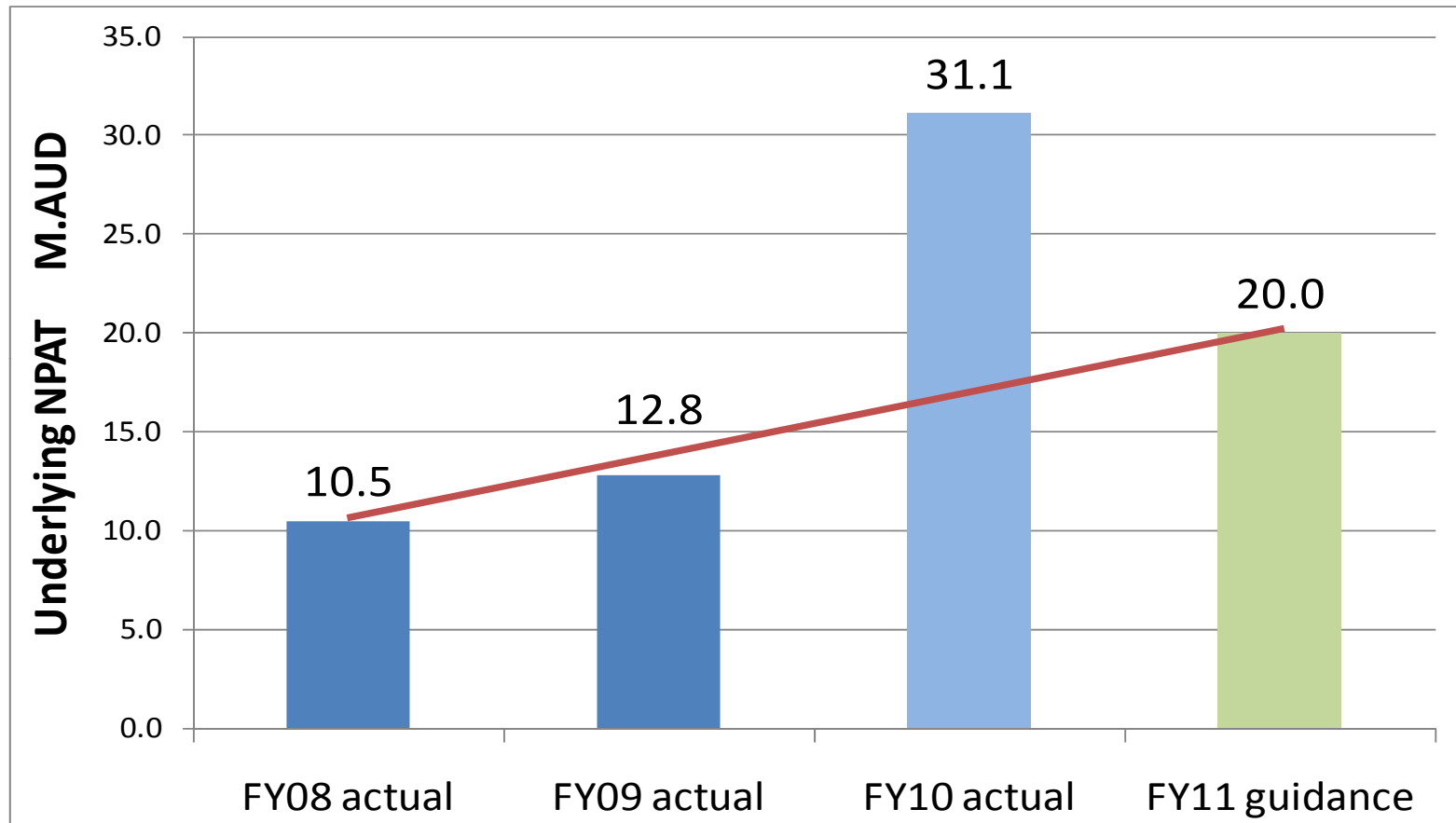
Minelab Metal Detectors

- While not operating at the peaks of FY10, the second half is expected to remain strong

Codan Limited Overall

- Upgrade from previous FY11 underlying NPAT guidance of “in the region of \$20 million”
- Board now expects FY11 underlying NPAT to be in the range of \$20 million to \$22 million

Outlook – Codan Limited



- Guidance provided “FY11 underlying NPAT in range of \$20m to \$22m”
- Strong trend line growth