

20 December 2007



## HALF YEAR FORECAST

Codan Limited  
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Australia

Codan's board advises as follows:

Net profit after tax from normal operations for the half-year ending 31 December 2007 will be in the vicinity of \$4.3 million.

The board expects to declare an interim dividend of 3.0 cents per share fully franked, unchanged from last year.

Compared to the same period last year, revenue is expected to decline by approximately \$12 million. This decline is because a very large high frequency radio sale in the first half of FY07 was not repeated this year, and because of the impact of a stronger Australian dollar.

The currency impact will reduce revenue by approximately \$3 million and NPAT by approximately \$1.5 million. Codan has an average hedged exchange rate during FY08 of approximately 84 US cents to the Australian dollar compared to approximately 77 US cents in FY07, these average hedged rates being quite consistent in the first and the second half of both years. Thus a similar exchange rate impact on revenue and profit is expected in the second half.

The fall in revenue from high frequency radio sales is further evidence of a contraction in the market for these products, which market in recent times has been buoyant as the world has sought to address security concerns. On the other hand, sales of Codan's satellite communications products have been very encouraging. Strong growth occurred in the number of product units sold and the US dollar sales revenue. Australian dollar sales revenue also increased somewhat even after the negative currency impact.

As previously advised, intense activity on product and market launches and establishment of off-shore manufacturing is expected to deliver substantial benefit in FY09.

A great deal of effort continues to be applied to several acquisition opportunities that will enhance shareholder value, capitalise on our strengths and are compatible with our existing business model and culture.

The board confirms its previous guidance that full year profit is likely to be less than for last year, although it is not possible at this time to be definitive about the amount.

A handwritten signature in blue ink, appearing to read 'R. Moody'.

Rick Moody  
Company Secretary  
20 December 2007



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