

Codan Limited

Investor Presentation - Full Year Results to 30 June 2005

18th, 19th & 22nd August 2005



New Products and Investment for Growth

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Managing Director

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New Products and Investment for Growth

Codan—The Company & Business

- Australian company founded in 1959
- Serving global markets for communications and broadcast products
- Listed in November 2003
- Actual FY 05 Revenue \$126.3m, Net Profit After Tax \$16.2m
- Exports in excess of 90% of revenue, to over 150 countries
- Over 450 staff and 500 customers worldwide
- Experienced and professional Management and Board
- Long established corporate governance procedures
- Track record of growth over more than 10 years
- Opportunities for future growth both organically and by acquisition

New Products and Investment for Growth

Operations

- Design, manufacture and market our own core products
- Design and manufacturing in Adelaide, Brisbane and Melbourne
- Sales, Representation and Customer Services Offices in Australia, UK, USA, China and India
- Distributors, dealers, agents and service centres worldwide
- Head Office, finance, HR and commercial in Adelaide

New Products and Investment for Growth

Products

Codan provides value-added products for:

- Communications
 - HF Radio
 - Satellite Communications
 - Digital Microwave Radio
- Television broadcasting (Codan Broadcast)

Niche products for international niche markets

Products for government, businesses and aid organisations

- Printed Circuit Boards (IMP Printed Circuits)

New Products and Investment for Growth

Products

Codan is a “standard products” business not an “engineering projects” business

- Approximately 60 HF Radios per day
- Approximately 10 Satellite Communications product units per day
- Digital microwave radio volumes growing
- Different models and variants
- Associated accessories

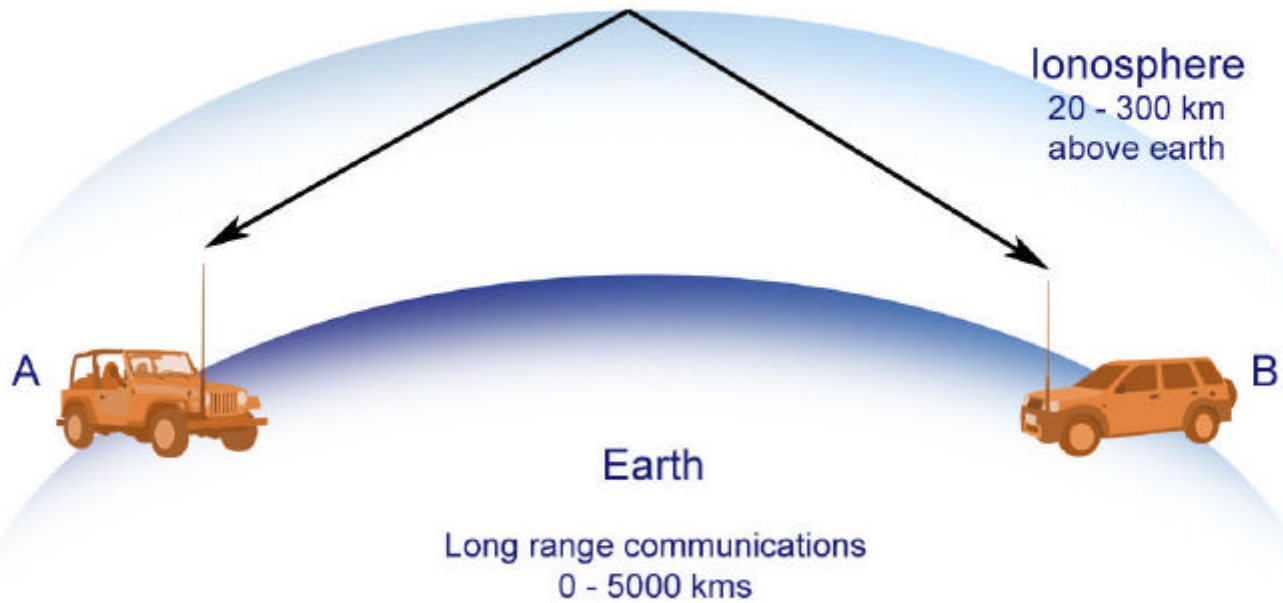
Production line manufacturing of products of standard design

New Products and Investment for Growth

Products



HF Radio



Products



HF Radio

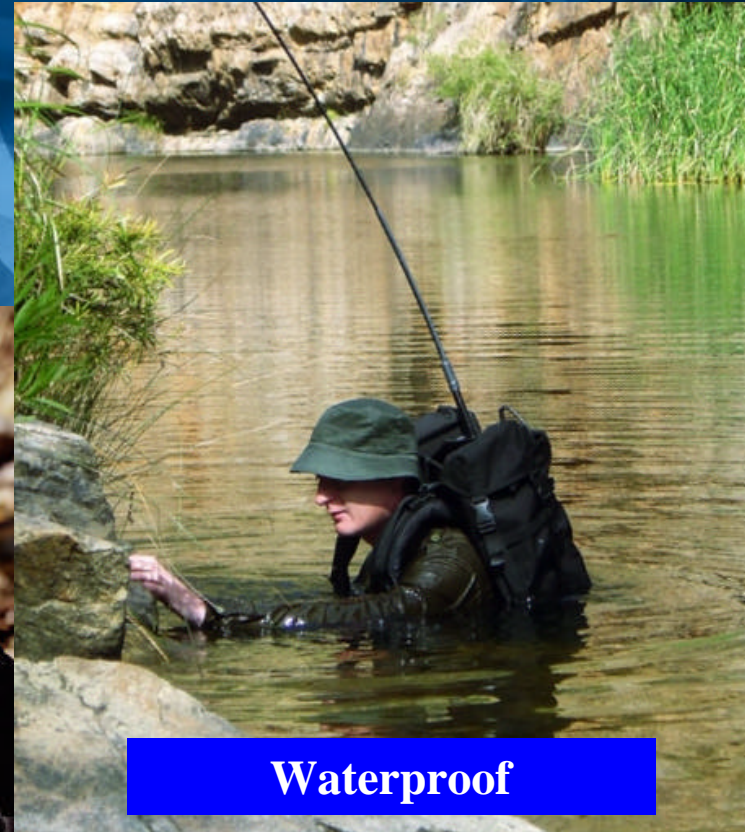
- Radio transceivers, modems and accessories for land vehicle installed, base station and backpack applications

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Codan New Manpack HF Radio



Lightweight



Waterproof



Excellent Radio Performance

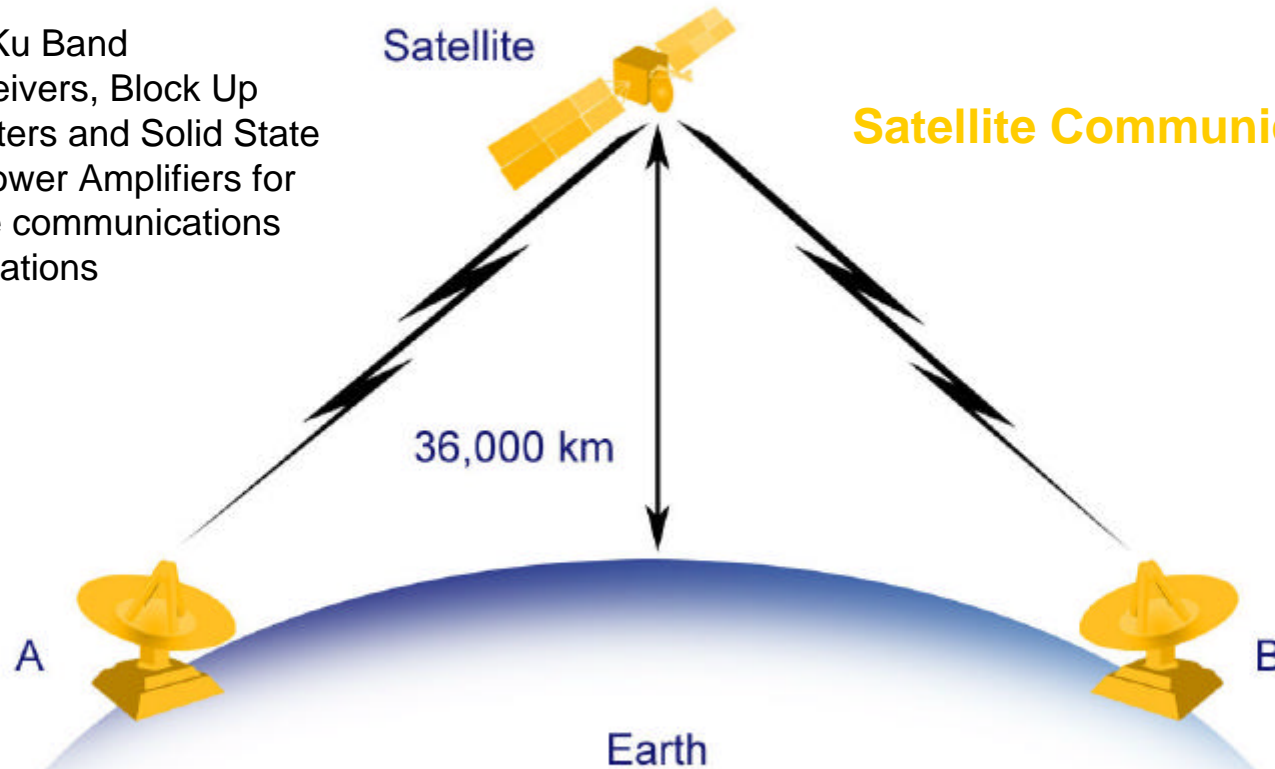
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Products



C and Ku Band
Transceivers, Block Up
Converters and Solid State
High Power Amplifiers for
satellite communications
earth stations

Satellite Communications



New Products and Investment for Growth

Codan New Release Satcom Product Family



Codan Ku-Band Transceiver



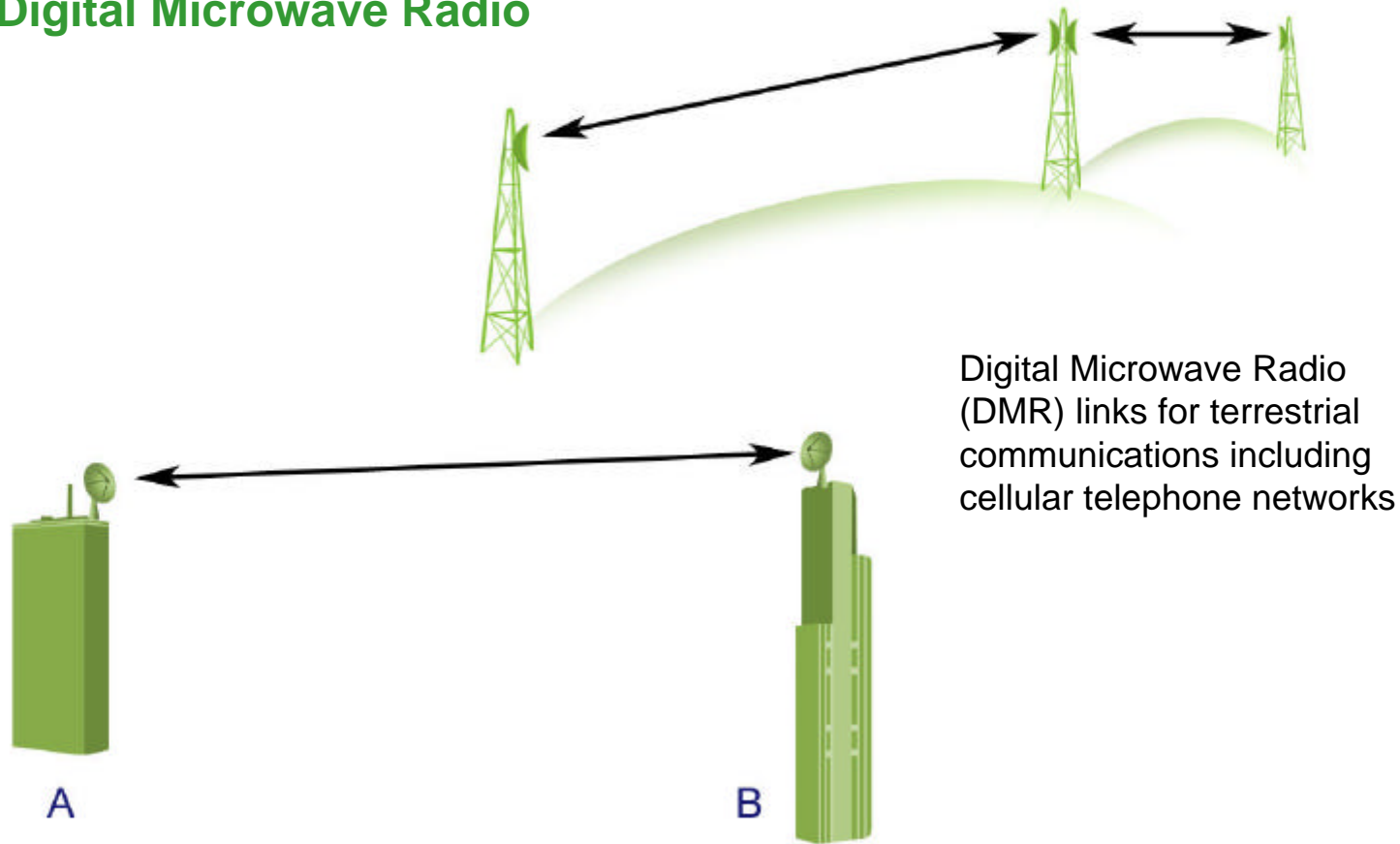
**Codan Ku-Band
BUC**

New Products and Investment for Growth

Products



Digital Microwave Radio



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The New Codan Digital Microwave Radio Product Family

Codan 8800 – Indoor Unit



Codan 8800 - Outdoor Unit



New Products and Investment for Growth



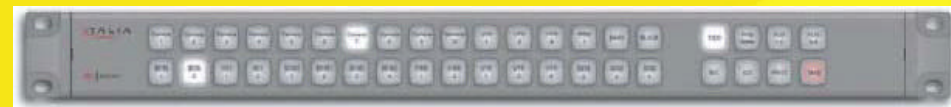
TV Broadcast Products

- Interface Equipment
- Signal Routers
- Monitoring Equipment

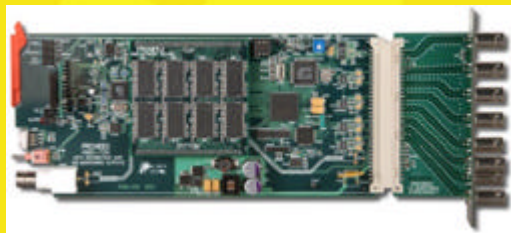
Equipment for the management, conversion, distribution and monitoring of digital and analogue, video and audio signals in a TV broadcast studio



PROVIDEO modular interface products



TALIA routers, control panels and audio monitoring bridges



Customer types

- Many government organisations—first and developing worlds
- Law enforcement and emergency service agencies
- Aid and humanitarian (NGO) agencies
- UN agencies
- Businesses—first and developing worlds
- Telecommunications service providers
- Telecommunications systems integrators
- TV and video broadcasters and production houses (Codan Broadcast)
- Electronics manufacturers—Australia and New Zealand (IMP Printed Circuits)

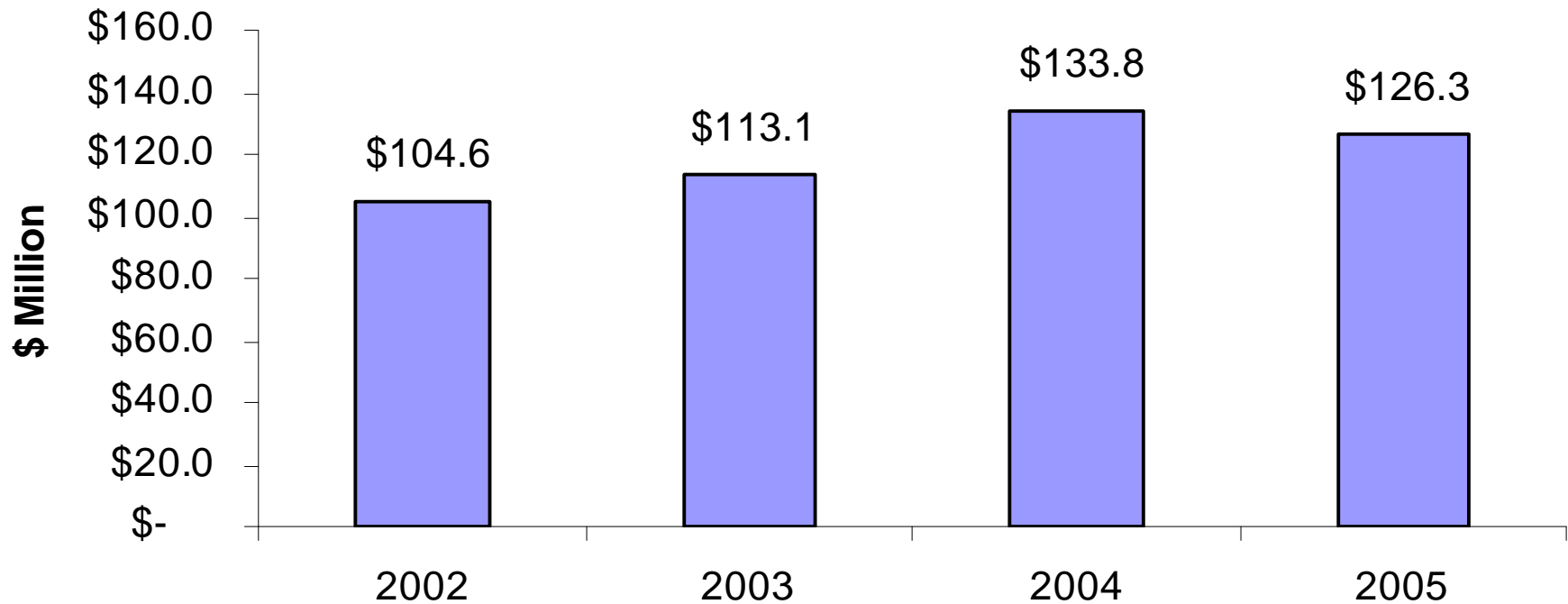
Financial Results FY05

	Year ended 30 June			
	Audited 2005	Audited 2004	Audited 2003	Growth % 2003 to 2005
Revenue				
HF Radio Communications	68.7	62.6	46.7	
Satellite Communications	45.1	61.0	53.4	
Digital Microwave Radio Comm's	4.6	4.0	4.7	
Total Communications Products	118.4	127.6	104.8	13.0%
Broadcast Products	3.4	2.2	4.2	
Printed Circuit Boards	4.5	4.0	4.1	
Total Operating Revenue	126.3	133.8	113.1	11.7%
Proceeds from sale of surplus property	-	3.7	-	
Total Revenue	126.3	137.5	113.1	11.7%

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Financial Results FY05

Operating Revenue



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Financial Results FY05

	Year ended 30 June			
	Audited 2005	Audited 2004	Audited 2003	Growth % 2003 to 2005
Total Revenue	126.3	137.5	113.1	11.7%
EBITDA	30.8	32.6	26.8	14.9%
Depreciation	(2.8)	(2.6)	(3.1)	
Amortisation of deferred R&D	(3.8)	(3.9)	(3.6)	
EBITA	24.2	26.1	20.1	20.4%
Amortisation of goodwill	(1.7)	(1.6)	(1.3)	
EBIT	22.5	24.5	18.8	19.7%
Interest	0.1	(0.9)	(1.8)	
Net profit before tax	22.6	23.6	17.0	32.9%
Tax	(6.4)	(6.9)	(5.9)	
Net profit after tax	16.2	16.7*	11.1	46.0%

* Includes \$0.7m from sale of surplus property

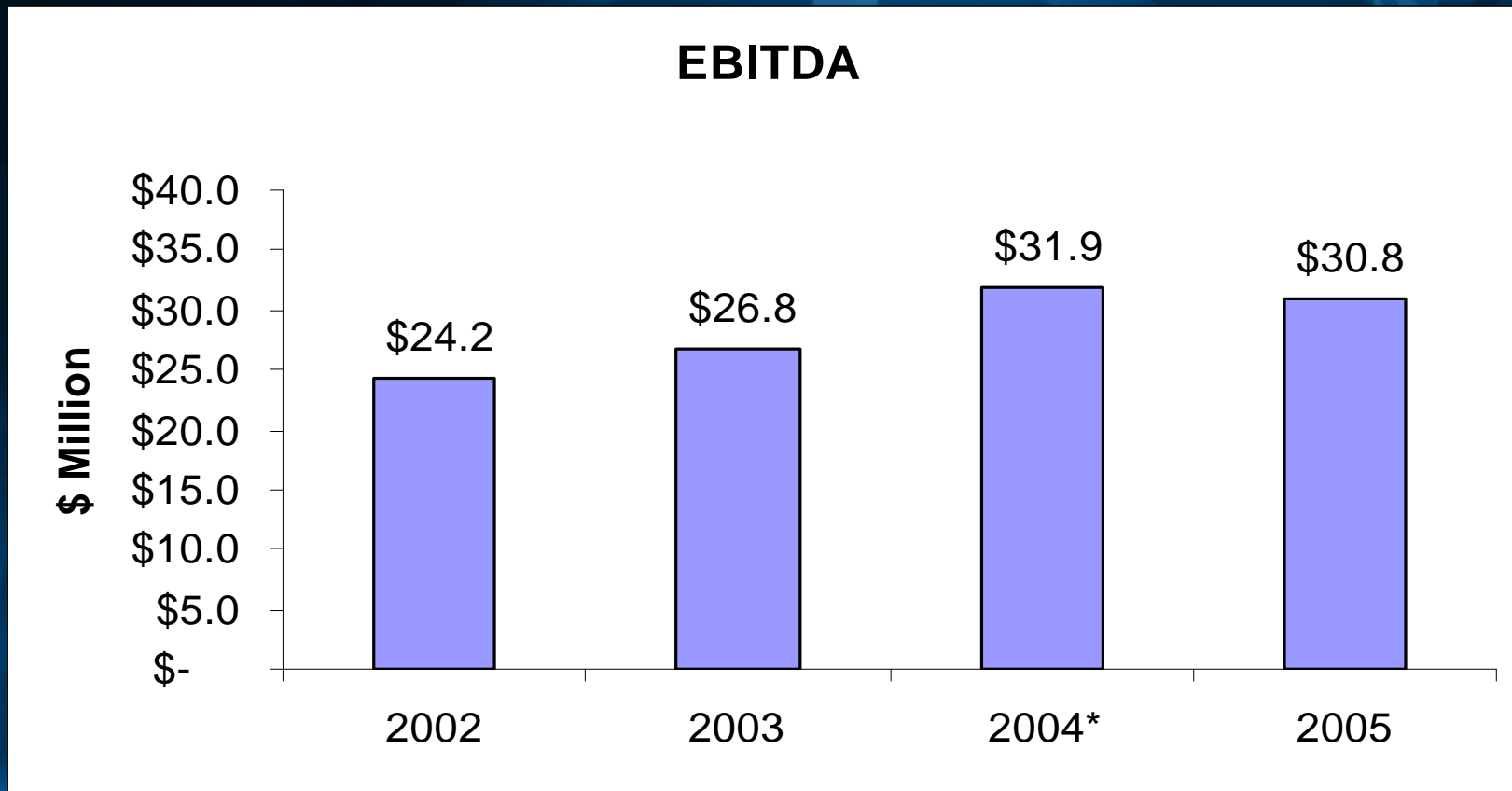
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Financial Results FY05

Strong Currency Headwind

- Hedged exchange rate (USD to AUD1.00)
FY05 \$0.62 versus FY04 \$0.54
- Revenue impact A\$9m, EBITDA impact
A\$3.9m, NPAT impact A\$2.7m

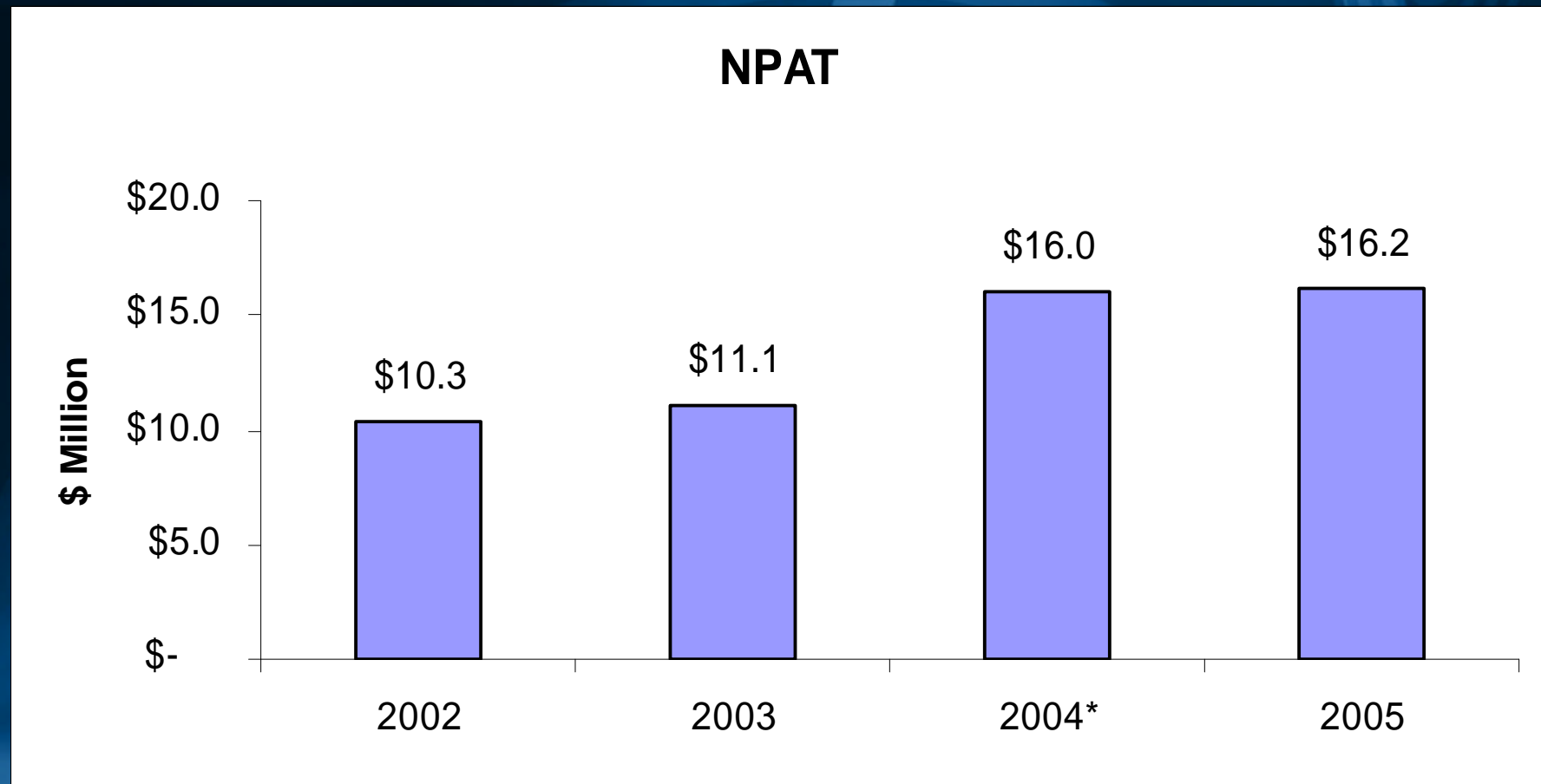
Financial Results FY05



** EXCLUDES IMPACT OF PROPERTY SALE*

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Financial Results FY05



** EXCLUDES IMPACT OF PROPERTY SALE*

New Products and Investment for Growth

Financial Results FY05

Dividend

Earnings per ordinary share (cents)
(on issued capital at 30 June 2005 fully diluted)

Interim dividend (cents) per ordinary share
(paid April, fully franked)

Final dividend (cents) per ordinary share

Franking

Record date

17 September 2005

Payment date

3 October 2005

**Actual
2005**

10.0

2.5

3.5

100%

**Actual
2004**

10.3

2.5

3.0

100%

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Financial Results FY05

	Audited 2005 \$m	Audited 2004 \$m		Audited 2005 \$m	Audited 2004 \$m
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	1.5	11.1	Accounts Payable	20.2	15.1
Receivables	22.8	14.4	Other	0.1	3.7
Inventories	15.4	12.2	Borrowings	3.4	0.3
Other	1.7	4.9	Provisions	5.4	8.2
	<u>41.4</u>	<u>42.6</u>		<u>29.1</u>	<u>27.3</u>
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Investments	-	-	Borrowings	0.0	0.3
Property, Plant & Equipment	23.9	16.6	Provisions	8.0	6.2
R&D Costs	17.8	12.9		<u>8.0</u>	<u>6.5</u>
Goodwill	19.2	19.5	TOTAL LIABILITIES	37.1	33.8
Other	3.3	3.5	NET ASSETS	68.6	61.3
	<u>64.3</u>	<u>52.5</u>			
TOTAL ASSETS	105.7	95.1	SHAREHOLDERS EQUITY		
			Share Capital	23.0	23.1
			Reserves	-	-
			Retained Profits	45.6	38.2
				<u>68.6</u>	<u>61.3</u>

New Products and Investment for Growth

Highlights FY05

Maintained Profit After Tax (excluding property sale FY04) in a difficult environment

Significant capital expenditure program to strengthen the company's platform for future growth

New Products and Investment for Growth

Maintaining Profit FY05

Maintained Profit After Tax (excluding property sale FY04) in an environment of:

- strong currency headwind
 - continued strong demand for HF radio products arising from world security concerns and humanitarian needs
 - reduced sales of satellite communications products arising from year to year timing of demand in key private network markets
 - old DMR product family uncompetitive (now replaced)
 - continuing uncertainty surrounding rollout of digital TV in Australia
 - success in growing printed circuit board market share in Australia
- New Products and Investment for Growth*

Maintaining Profit FY05

Managed the difficult environment in FY05 via product cost reductions and strict control of expenses

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Maintaining Profit FY05

Diligent management of the business in the medium term has resulted in:

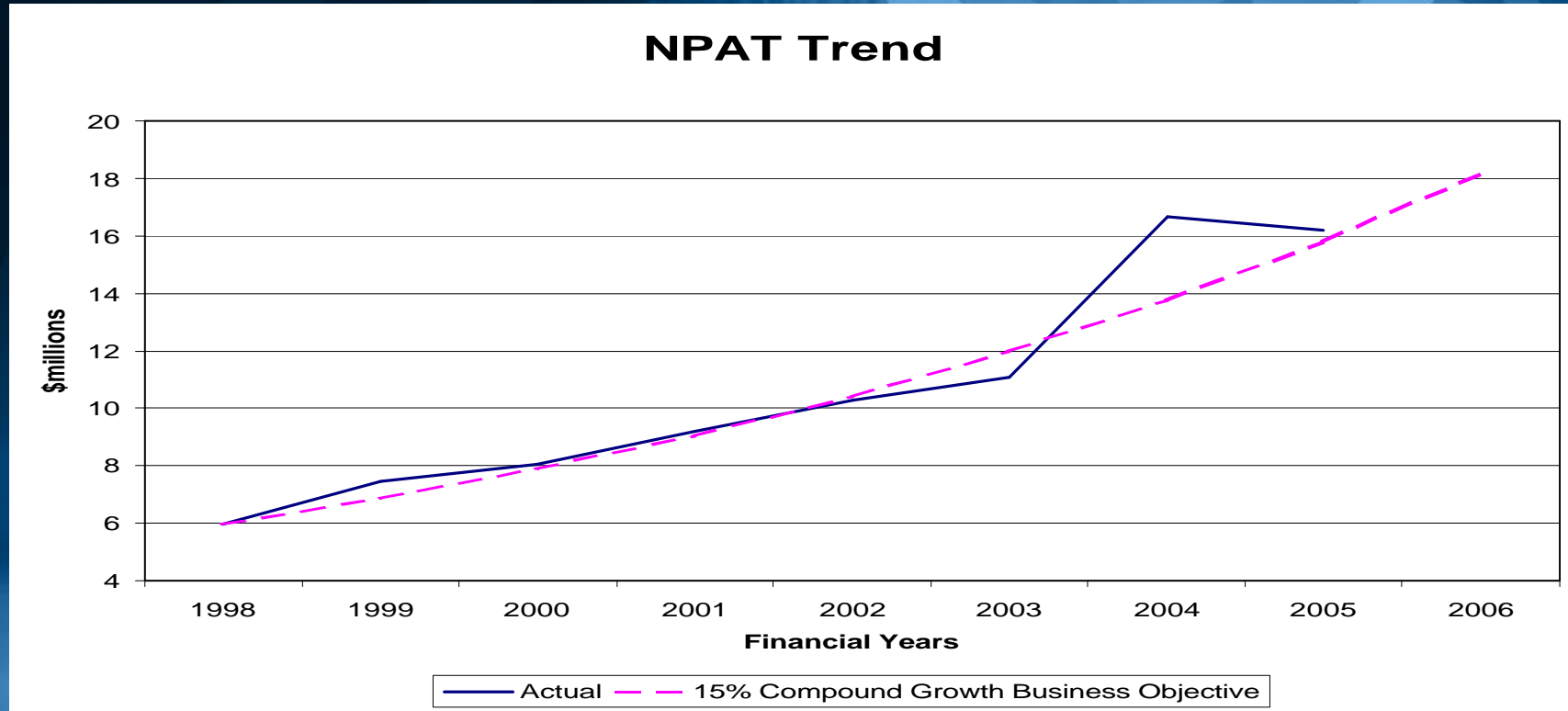
- Continuous growth in operating margins (% to sales) over two years

	Audited 2005	Audited 2004	Audited 2003
Revenue	100.0%	100.0%	100.0%
EBITDA	24.4%	23.7%	23.7%
EBIT	17.8%	17.8%	16.6%
NPAT	12.8%	12.1%	9.8%

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Maintaining Profit FY05

Maintenance of cumulative business performance above 15% compound growth objective over the medium to long term



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Capital Expenditure for Growth FY05

Total capital program \$20.5m

● Infrastructure

- Expanded and Upgraded Factory
- Enterprise Wide Business System

● Acquisitions

- New DMR Technology and Product Range
- Operations and Technology of Talia Sound & Vision

● Internal Product Development

- New Manpack HF Radio
- New Satellite Communications Product Family

New Products and Investment for Growth

Capital for Infrastructure

Factory Expansion Project (91% Floor Space Increase)

Total planned expenditure \$4.7m

Expenditure to date \$3.8m

Status

- new floor space fully in use
- completing refurbishment of old floor space

Business Systems Project

Total planned expenditure \$4.6m

Expenditure to date \$3.8m

Status

- System built and under test
- Go-live planned November 2005

New Products and Investment for Growth

Codan Factory Expansion Project



New Products and Investment for Growth

Capital for Acquisitions

New DMR Technology and Product Range

- Technology enabling the manufacture and ongoing development of a complete new cost effective product range
- Market launch March 05

The New Codan Digital Microwave Radio Product Family

Codan 8800 – Indoor Unit



Codan 8800 - Outdoor Unit



New Products and Investment for Growth

Capital for Acquisitions

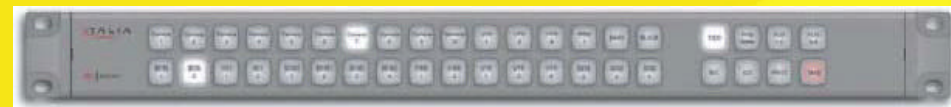
Operations and Technology of Talia Sound & Vision

- **Complementary Product Range**
- **Launched “Codan Broadcast” globally in March 05**
- **Worldwide export distribution agreement with Ross Video of Canada**

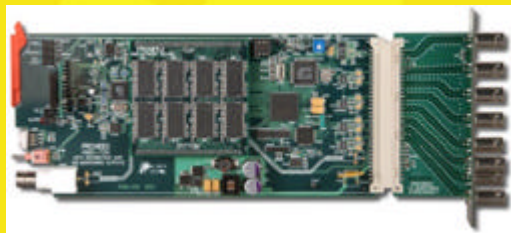
New Products and Investment for Growth



PROVIDEO modular interface products



TALIA routers, control panels and audio monitoring bridges



Capital for Internal Product Development

New Manpack HF Radio launched March 2005

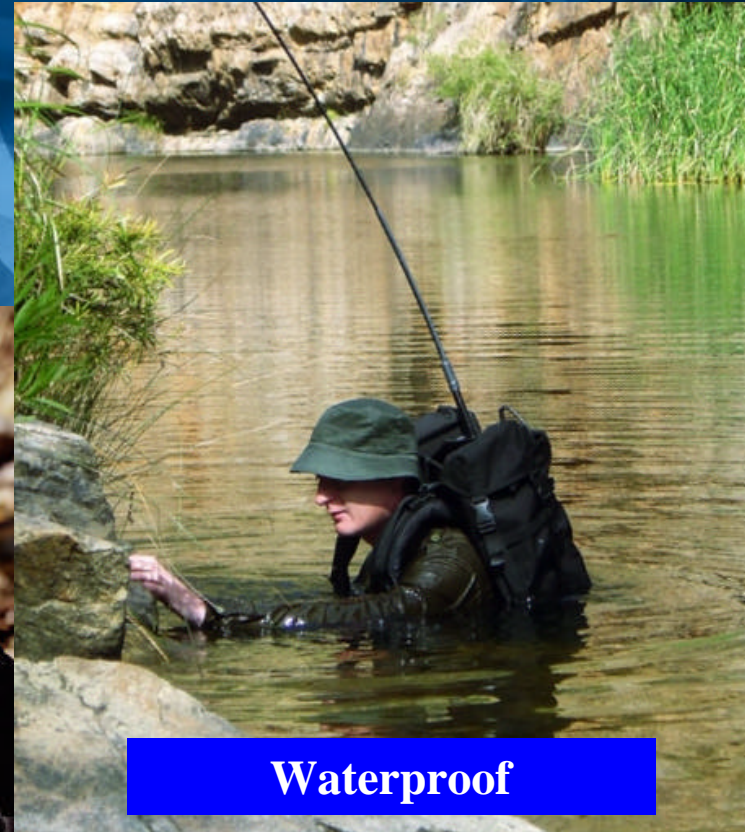
New satellite communications product family launched progressively through FY05

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Codan New Manpack HF Radio



Lightweight



Waterproof



Excellent Radio Performance

New Products and Investment for Growth

Codan New Release Satcom Product Family



Codan Ku-Band Transceiver



**Codan Ku-Band
BUC**

New Products and Investment for Growth

Outlook

Environment

- General recovery in world telecommunications
- Strong global demand for digital microwave radio
- The effect of the environment of world security concerns is becoming more difficult to predict
- Ongoing global demand for TV broadcast equipment arising from digital TV rollout
- Strengthening Australian Dollar would reduce AUD revenue and profit
 - Hedge rate 76 US cents for first half FY06 vs 62 US cents in FY05

New Products and Investment for Growth

Outlook

Communications Products Opportunities

- Redeployment of resource from product development to sales and marketing
- Market penetration by new HF, Satcom and DMR product families
- Demand for more satellite communications products in key private network markets
- Re-stocking by aid agencies of HF radio following tsunami deployment
- Improving performance in China and domestic US markets

New Products and Investment for Growth

Outlook

Broadcast Products Opportunities

- Continued marketing of the “Codan Broadcast” brand
- Growth arising from expanded product range
- Continued penetration of Asian markets via Codan distribution network
- Increased sales in North America and globally via the Ross Video distribution agreement
- Ongoing development of new products

New Products and Investment for Growth

Outlook

Printed Circuit Boards Opportunities

- Continued growth in Australian and NZ market share via focus on quality, delivery and service
- Benefits to customers arising from strategic partnership with an Asian manufacturer

New Products and Investment for Growth

Outlook – In Summary

Growth opportunities for all product groups enhanced by new products released last year.

Nonetheless expected profit growth in FY06 could be limited if the Australian Dollar remains strong.

Expect to maintain our corporate objective of 15% compound growth over the medium to long term.

New Products and Investment for Growth

The background is a solid dark blue color. Overlaid on this are several large, semi-transparent, concentric circular patterns in a lighter shade of blue. These patterns are arranged in a way that they appear to be overlapping and radiating from different points, creating a sense of depth and movement. The patterns are most prominent in the center and right side of the frame.

Thank you for your support of Codan

Any Questions?

New Products and Investment for Growth