



Clever Products. Global Markets.

Investor Presentation

Codan Limited Business Performance FY10

August 2010

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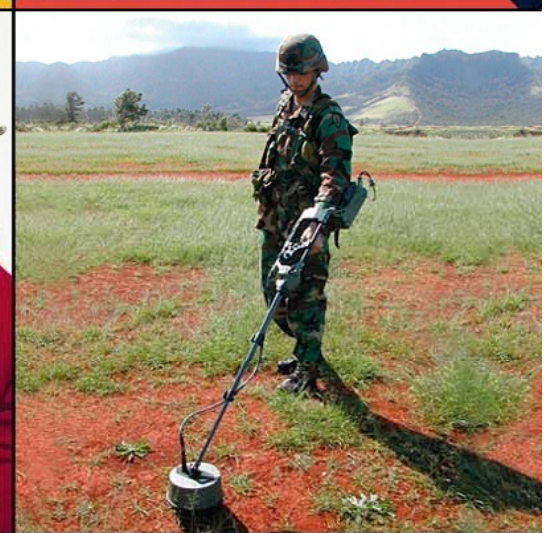
Managing Director

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Managing Director Elect

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Chief Financial Officer



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What is Codan's Core Business?

“Clever Products for Global Niche Markets”

Clever Products

- Innovative products of our own design
- High intellectual property content, high value-add
- Exceptional performance, reliability and support
- Electronics products preferably

Global Niche Markets

- Demand in many countries, often the developing world
- Global market size hundreds of millions of dollars (not billions)
- Likely that Codan will be a market leader
- “Below the radar” of large potential competitors

What are Codan's Current Business Segments and Product Groups?

Codan Communications Products

- High Frequency (HF) Radio
- Satellite Communications Products



Minelab Metal Detectors

- Consumer
- Mine Clearance
- Artisanal Gold Mining



Other

- Printed Circuit Boards
- Contract Electronics Manufacturing Services
- TV Broadcasting Products (sale of business expected on 31 August 2010)

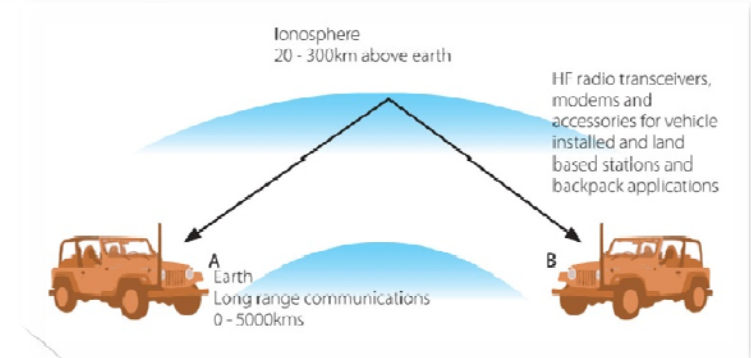


High Frequency (HF) Radio

- **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:**

- aid and humanitarian (UN and NGOs)
- law enforcement, protection, security and military
- other government departments
- commercial e.g. mining and resources exploration, forestry, long distance transport

HF Radio - Strengthening Presence in New Market

- **Codan has successfully entered a new market:**

- Security, Protection and Military
(Focus is on behind-the-lines communications)
- Compelling Codan value proposition with target market
(Interoperability, simplicity, suite of capability and the right features at the right price)

- **Strong business development focus:**

- Key successes in Africa & with US-funded projects
- Gaining momentum in India, China, Middle East and Latin America
- Strengthening sales opportunities pipeline



HF Radio - Products & Solutions



HF Radio - Focused Campaigning

- **Developing the right products:**
 - Continued investment in product research and development
 - Partner with global technology suppliers
- **Targeting the right markets:**
 - Major global investment by governments in Homeland Security
 - Targeting Police, Paramilitary and Military forces involved in national security
 - Codan positioned to supply these key growth markets



HF Radio - Focused Campaigning

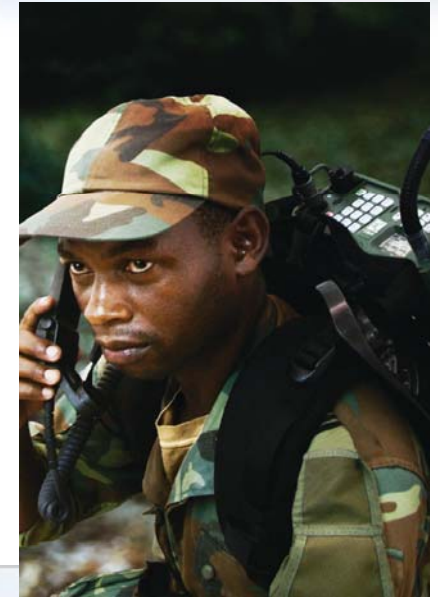
- **Fielding products into customers' hands:**
 - More high level sales engineers travelling to customers
 - Investment in global product demo pool
- **Aggressively selling value proposition:**
 - Selling customer solutions, not just products
 - Building good customer relationships in difficult countries
 - Solving difficult customer problems with smart solutions
- **Utilising available funding resources:**
 - US FMS, Counter Narcotic, State Department
 - Australian Government – EFIC
 - European loans



HF Radio - Recent Successes

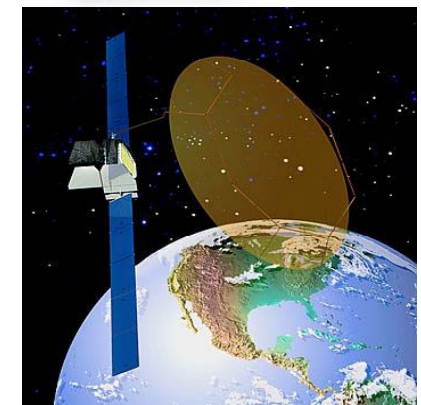
Specific success stories over past 4 years include:

- Afghanistan National Police (ANP)
 - \$30m sales of Manpacks & Base Stations
- Angolan Army
 - \$8m sales of Manpacks & Base Stations
- Indian Police
 - \$9m sales of Mobiles & Base Stations
- Chinese Border Police
 - \$7.5m sales of Manpacks & Mobiles



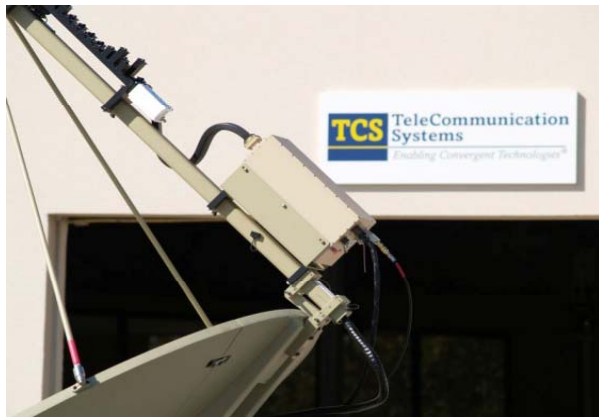
Satellite Communications

- Telecommunications via satellite involve passing signals between earth stations and orbiting satellites
- Networks of earth stations and satellites exist as public communications infrastructure and as private networks for governments and businesses
- Earth stations may be fixed in location, or transportable for “rapid deploy” applications
- Codan and Locus supply radio frequency (RF) subsystems, a critical component of the earth station
- We sell to system integrators, organisations that build earth stations and establish networks
- Satellite communications occur in different frequency bands; the RF subsystem is specific to one of these bands
- Codan Adelaide specialises in C and Ku frequency bands, the most commonly used bands today for government and commercial applications
- Locus Microwave in Pennsylvania (acquired in May 2009) specialises in X-band, a frequency band recently released from sole military use to include whole-of-government use including for the US government



Satellite Communications – Locus Microwave

- X-band frequencies have long been reserved for military applications
- Significant new X-band satellite capacity has been recently launched into orbit and demand is growing for X-Band services utilising this capacity - particularly for the US government, military and non military
- X-band is a significant growth area for satellite communications



Satellite Communications – Locus Microwave

- Locus has products, technology and US market presence to address X-band opportunities
- Locus supplies X-band RF subsystems targeted at US government satellite communications users
- Locus has already been selected as a supplier to US organisations that have been appointed to establish X-band satellite communications systems for the US government
- Locus has already received its first order for supply to the US government

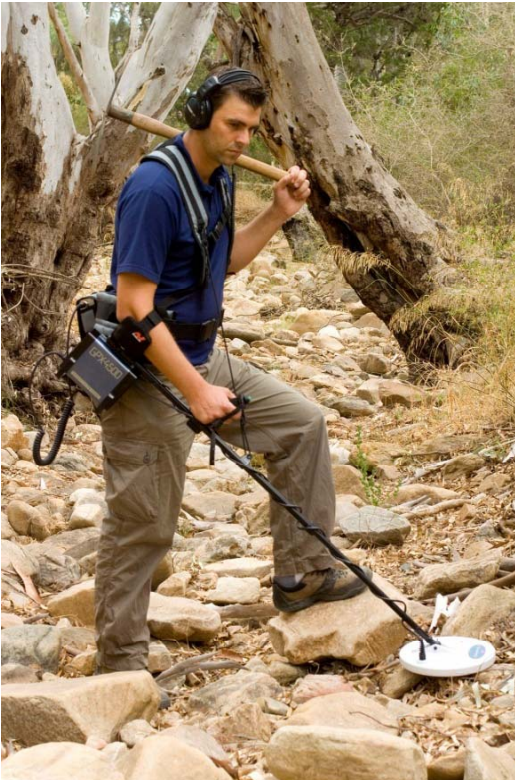


CODAN SATCOM



Minelab Metal Detectors

Metal detectors and systems for Consumer, Mine Clearance and Artisanal Gold Mining markets



- 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
- Artisanal Gold Mining: Detection of gold for livelihood / subsistence purposes

Minelab - Artisanal Gold Mining Market

- An artisanal or small-scale miner is, in effect, a subsistence miner. They generally work independently, mining or panning for gold grains and nuggets found near the surface (“placer” gold)
- This market generally exists in the Developing World
- Examples: Mongolia, Tanzania, Sudan, Brazil



Minelab - Artisanal Gold Mining Characteristics

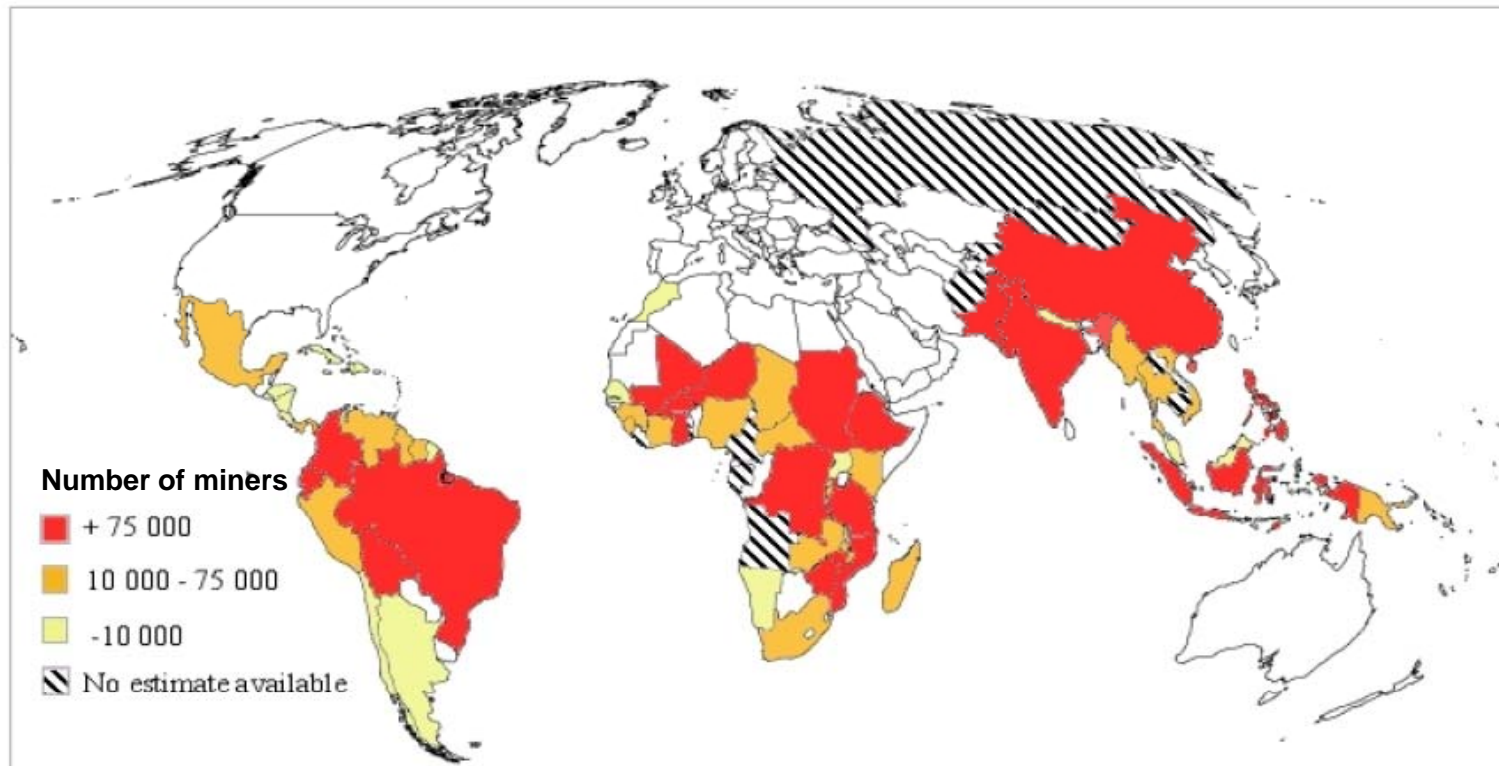
- Artisanal mining typically consists of hard physical labour, used to extract bulk material that is then panned or crushed and processed for gold
- It does not include large scale industrial mining activity. It is typically undertaken by individuals or small cooperatives
- Minelab equipment is enabling the artisanal miners to increase their productivity significantly by pinpointing “placer” gold deposits and enabling them to rapidly extract the gold without having to process bulk earth



Minelab - Artisanal Gold Mining

Growth potential...

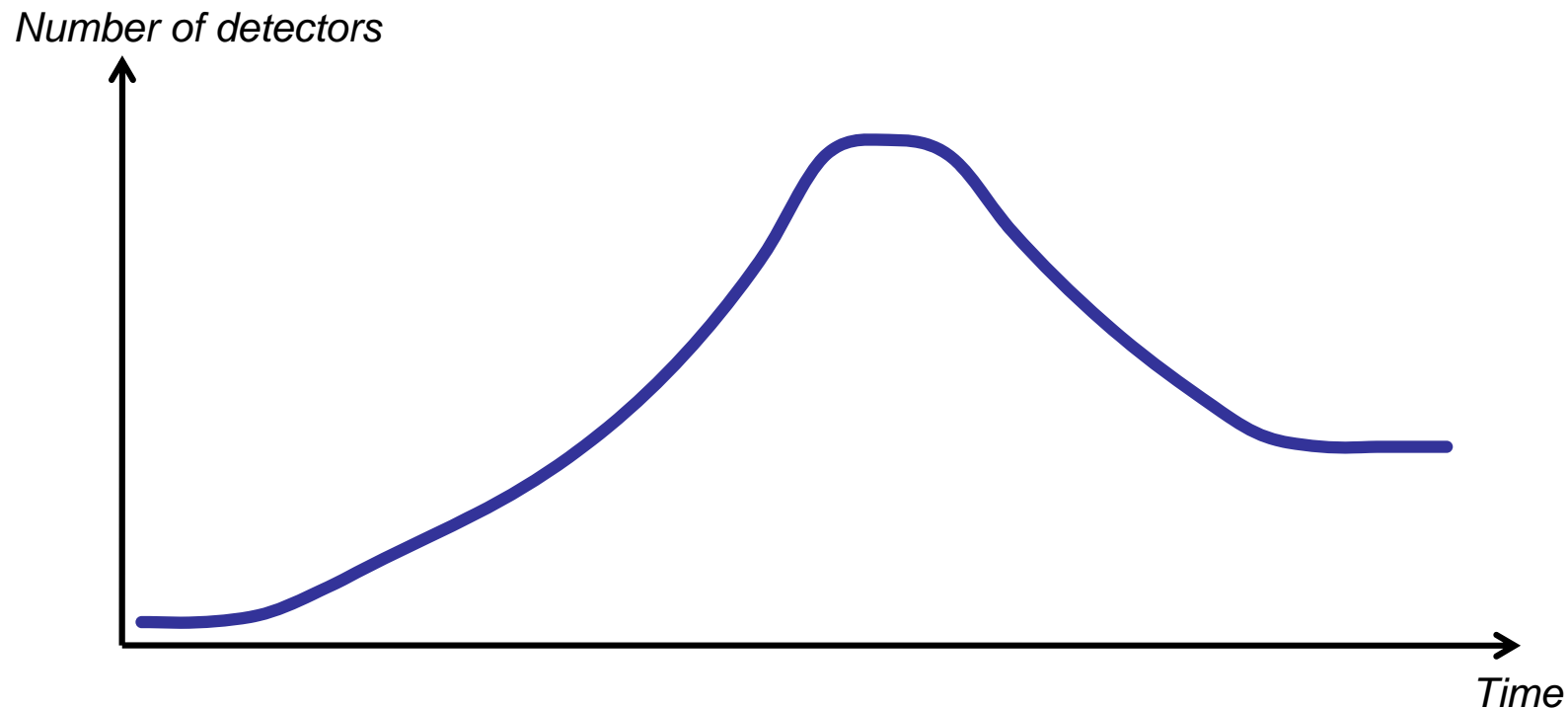
- Markets where there are significant artisanal miners currently active worldwide.
- Use of metal detectors is generally low
- Minelab is investing in market research and product marketing to introduce detectors into such markets



Minelab - Artisanal Gold Mining

Growth potential

- The market is prone to “rushes” of demand for metal detectors
- When the rush has subsided, typically a new residual market for detectors remains
- Below is a typical profile of the take-up of detectors into a new artisanal market:



Minelab - Mine Clearance

- There is an increase in use of metal detecting products by military and security organisations as part of a defence against Improvised Explosive Devices (IED)
- Minelab has designed a variant of its successful F3 mine clearance metal detector for use specifically by highly mobile military and security forces – the F3 Compact
- Preliminary marketing has been favourable – the product is expected to enter production in late 2010



Financial highlights FY10

Record Sales and Profit

- Underlying net profit after tax was \$31.1m for the year ended 30 June 2010, an increase of 142% compared to the previous year
- The profit arose from revenue of \$189.3m, compared with \$132.4m in the previous year
- Working capital continues to be extremely well managed
- Cash generated through operations was \$51.9m compared to \$25.5m in the previous year
- Net debt reduced from \$59.1m to \$30.4m

Financial Overview – Sales

Full year results	FY10		FY09	
	\$m	%	\$m	%
Revenue				
Communication Products	\$70.1	37%	\$77.3	58%
Metal Detectors	\$106.6	56%	\$41.7	32%
Other	\$12.6	7%	\$13.4	10%
Total revenue	\$189.3	100%	\$132.4	100%

- Communications products:
 - Sales of HF radio products below expectations in the second half. Pipeline of sales opportunities grew strongly during the year
 - Satellite communications products experienced difficult business conditions all year caused by the Global Financial Crisis and the technology-driven shift in demand to Codan's new lower-priced product family
- Exceptional performance of Minelab contributing 56% of total group revenue:
 - Strong in the consumer market and mine clearance market (US\$5.5 million order from the Indian border guard)
 - Boom in demand for its detectors in the artisanal gold mining market



Financial Overview — P&L

Full year results	FY10		FY09	
	\$m	%	\$m	%
Total revenue	\$189.3	100%	\$132.4	100%
Underlying business performance				
EBITDA	\$56.1	30%	\$29.4	22%
EBIT	\$45.8	24%	\$21.5	16%
Interest	(\$3.1)		(\$4.6)	
Net profit before tax	\$42.7	23%	\$16.9	13%
Underlying net profit after tax	\$31.1	16%	\$12.8	10%
Net non-recurring expense after tax	\$1.8		\$0.8	
Impairment of goodwill	\$14.9			
Net profit after tax	\$14.4		\$12.0	

- Significant improvement in earnings ratios.
- \$1.8m of costs associated with integration of the Minelab and US based Locus Microwave businesses
- \$14.9m non cash impairment charge against goodwill associated with the satellite communications product group (largely arising from an acquisition in 1997)

Financial Overview - Integration and Restructuring

Minelab (acquired March 2008):

- Closure of manufacturing facility in Ireland and transfer to outsourcing partner in Malaysia
 - to be completed in H1 FY11
- Roll-out of Codan Limited's enterprise resource planning system right across Minelab
 - completed in FY10
- No further work is required

Locus (acquired May 2009):

- Closure of Codan's satellite communications sales office in Washington DC and transfer of activities to Locus in State College
 - to be completed in H1 FY11
- Commenced roll-out of Codan Limited's enterprise resource planning, IT, communications and financial systems

These activities have already significantly reduced costs and expanded production capacity



Parktronics



Financial Overview – Ratios

	FY10	FY09
Return on net operating assets (average)	39.5%	17.5%
Return on equity (average)	42.5%	20.9%
Underlying earnings per share	18.8 cents	7.9 cents
Earnings per share	8.8 cents	7.4 cents

Definitions

- Return on net operating assets: $\text{EBIT} / \text{average net operating assets}$
- Return on equity: $\text{NPAT} / \text{average equity}$
- Earnings per share: $\text{NPAT} / \text{no. of shares}$

Financial Overview — Balance Sheet

	June '10	June '09
\$m		
Working Capital		
Receivables	\$12.5	\$16.1
Inventories	\$25.1	\$14.2
Payables	(\$28.4)	(\$17.5)
Total Working Capital	\$9.1	\$12.8
Property, Plant & Equipment	\$21.1	\$23.2
Product Development	\$19.0	\$15.2
Intangible Assets	\$61.9	\$77.2
Other	\$1.9	\$2.8
Total Assets	\$113.0	\$131.2
Other liabilities	(\$17.6)	(\$8.1)
Net Operating Assets	\$95.4	\$123.1
Net debt	(\$30.4)	(\$59.1)
Net Assets	\$65.0	\$64.0
Shareholders Equity		
Share Capital	\$25.3	\$24.9
Reserves	(\$1.6)	\$0.7
Retained Profits	\$41.3	\$38.4
Total Shareholders Equity	\$65.0	\$64.0

- Inventory movement to meet Minelab demand
- Very low debtor days due to prepayment for Minelab detectors for Artisanal market
- Decrease in goodwill following non-cash impairment charge
- Decrease in net debt from excellent operating cash flows

Financial Overview – Dividends

	FY10	FY09
Interim dividend per ordinary share	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%

Record date 15 September 2010

Payment date 1 October 2010

Outlook – Codan Limited

Communications Products – Strong growth expected on FY10

- **HF Radio** – strong sales opportunity pipeline for global peacekeeping, protection, security and military market
- **Satellite Communications** - recovery from the GFC, release of important new Codan Adelaide products and achievement of Locus “foundation” X-band orders

Minelab Metal Detectors – Strong trend line growth expected on FY09

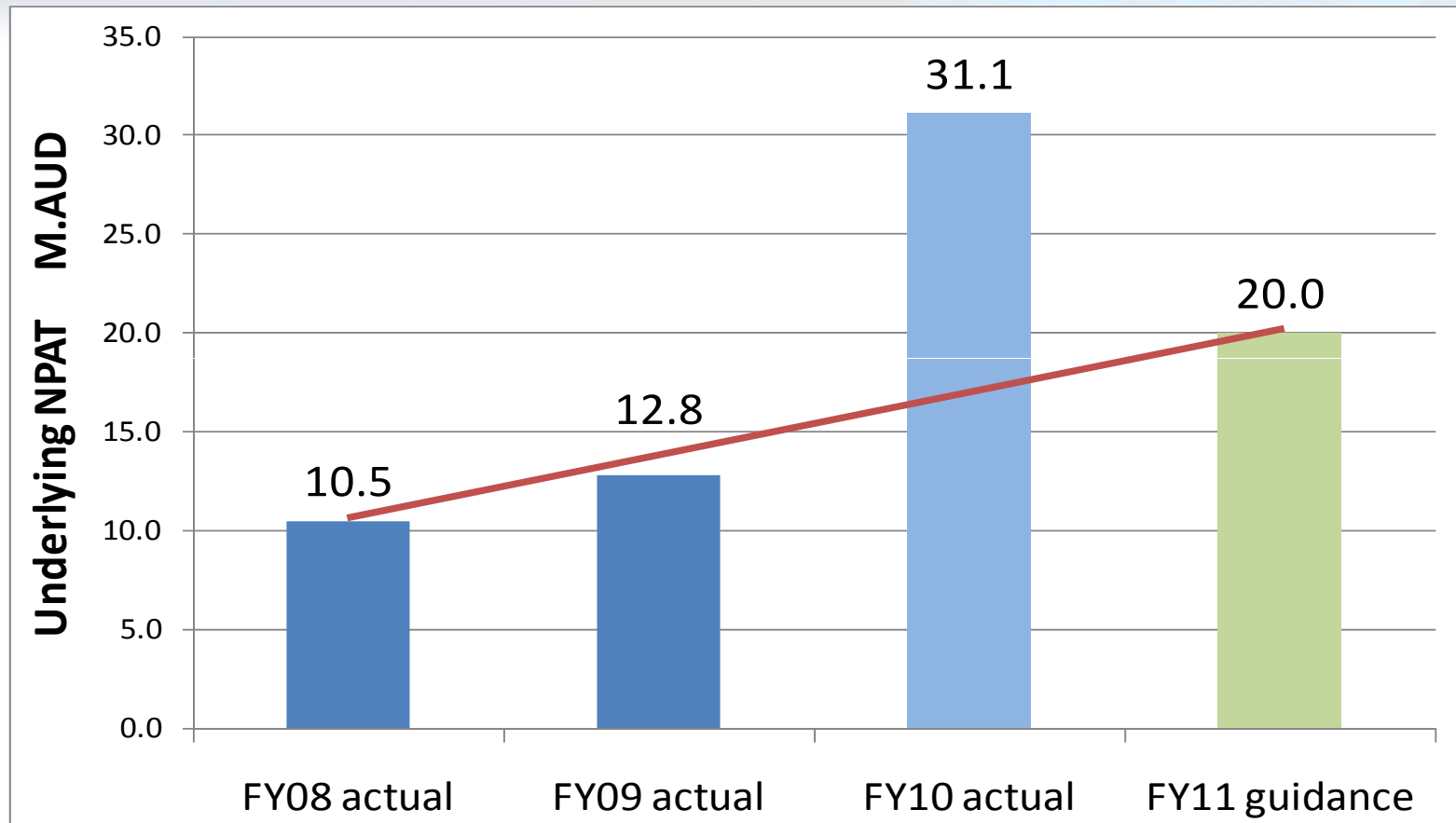
- **Consumer** – new product releases and strong marketing will deliver increased market share and growth on FY10
- **Mine Clearance** – dependent on timing of major projects, but new compact detector will increase market share
- **Artisanal Gold Mining** – boom sales in FY10 unlikely to be reached in FY11, but sales will be achieved from more countries

Codan Limited Overall

- Annual sales in the region of \$160m and underlying NPAT in the region of \$20m are expected for FY11



Outlook – Codan Limited



- Guidance provided “FY11 underlying NPAT will be in the region of \$20m”
- Strong trend line growth of 24% from FY08