

Investor Presentations

Half Year Results to 31 December 2005



Codan wishes to advise that the attached Investor Presentation will be delivered to public forums as follows. Everybody is welcome.

| | |
|--------|---|
| Sydney | Monday 27 February 2006 at 10.30am Shangri-La Hotel, The Rocks |
|--------|---|

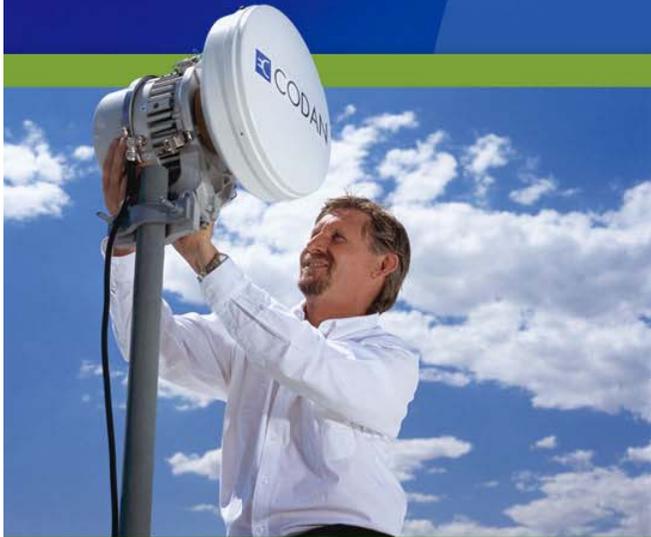
| | |
|-----------|---|
| Melbourne | Tuesday 28 February 2006 at 10.30am Rialto Hotel, On Collins |
|-----------|---|

| | |
|----------|--|
| Adelaide | Wednesday 1 March 2006 at 10.30am Stamford Plaza Hotel, North Terrace |
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Codan Limited

Investor Presentation - Half-Year Results to 31 December 2005

27th & 28th February, 1st March 2006



New Products and Investment for Growth

Mike Heard
Managing Director

David Hughes
Chief Finance & Information Officer

Contents



- Company Overview
- Products
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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 HY 06 Revenue \$56.6m, Net Profit After Tax \$4.3m
- 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 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

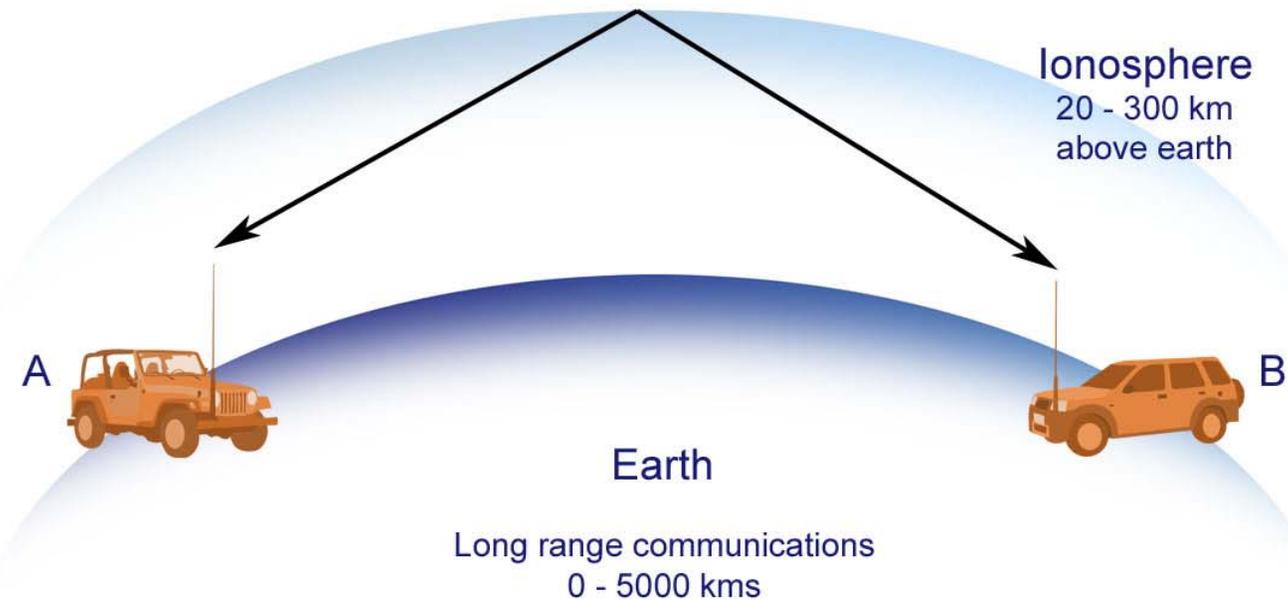


Codan is a “standard products” business not an “engineering projects” business

- Production line manufacturing of products of standard design
- Different models and variants
- Associated accessories

New Products and Investment for Growth

HF Radio



Products

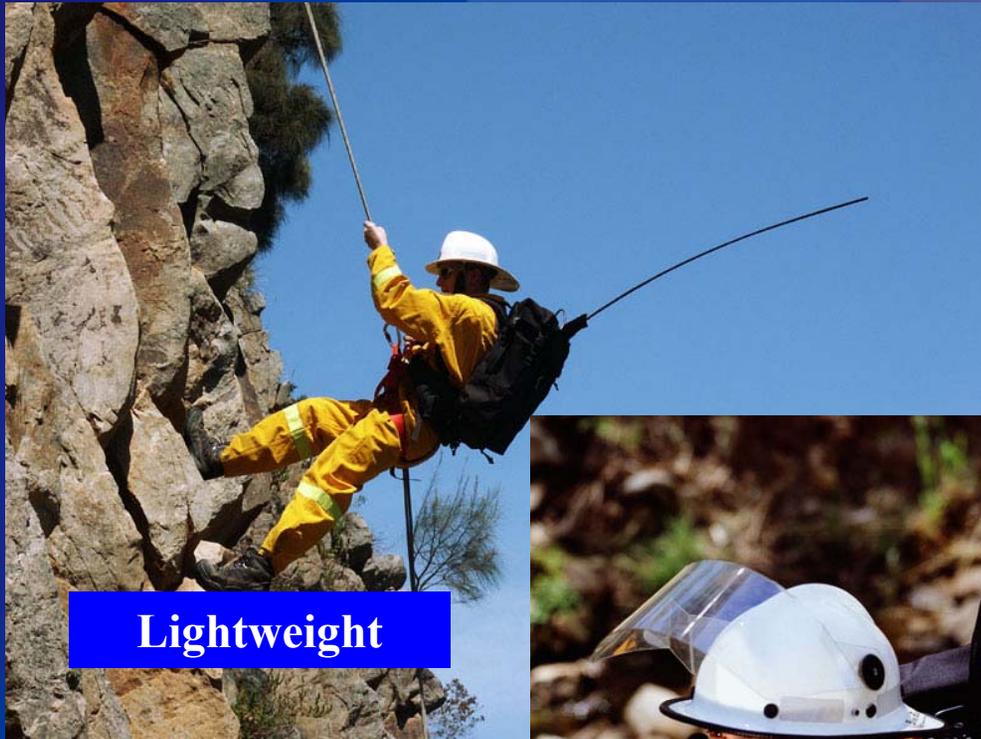


HF Radio

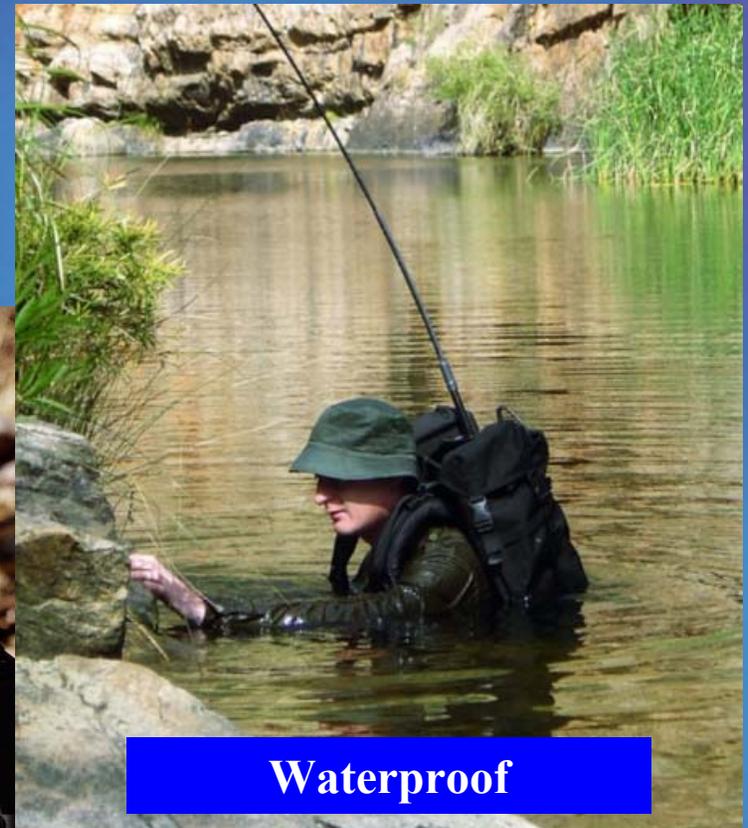
- Radio transceivers, modems and accessories for land vehicle installed, base station and backpack applications

New Products and Investment for Growth

Codan New Manpack HF Radio



Lightweight



Waterproof



Excellent Radio Performance

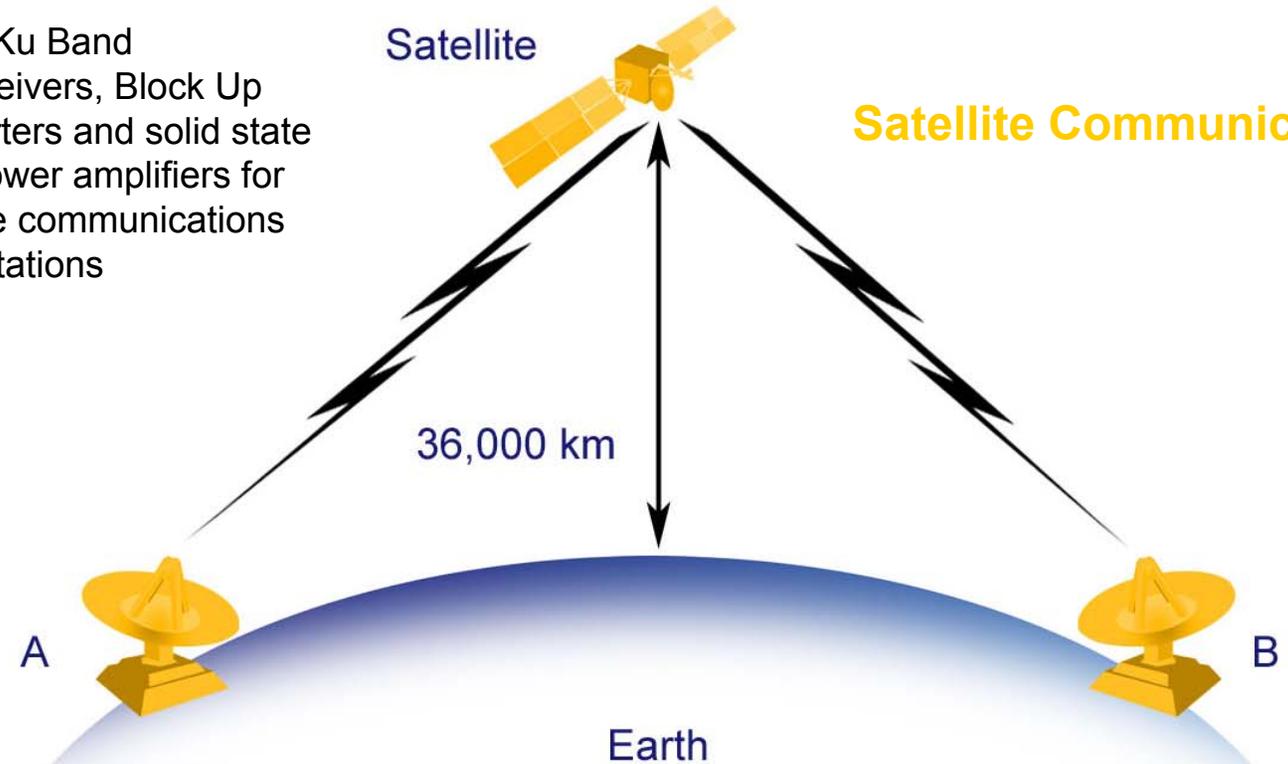
New Products and Investment for Growth

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



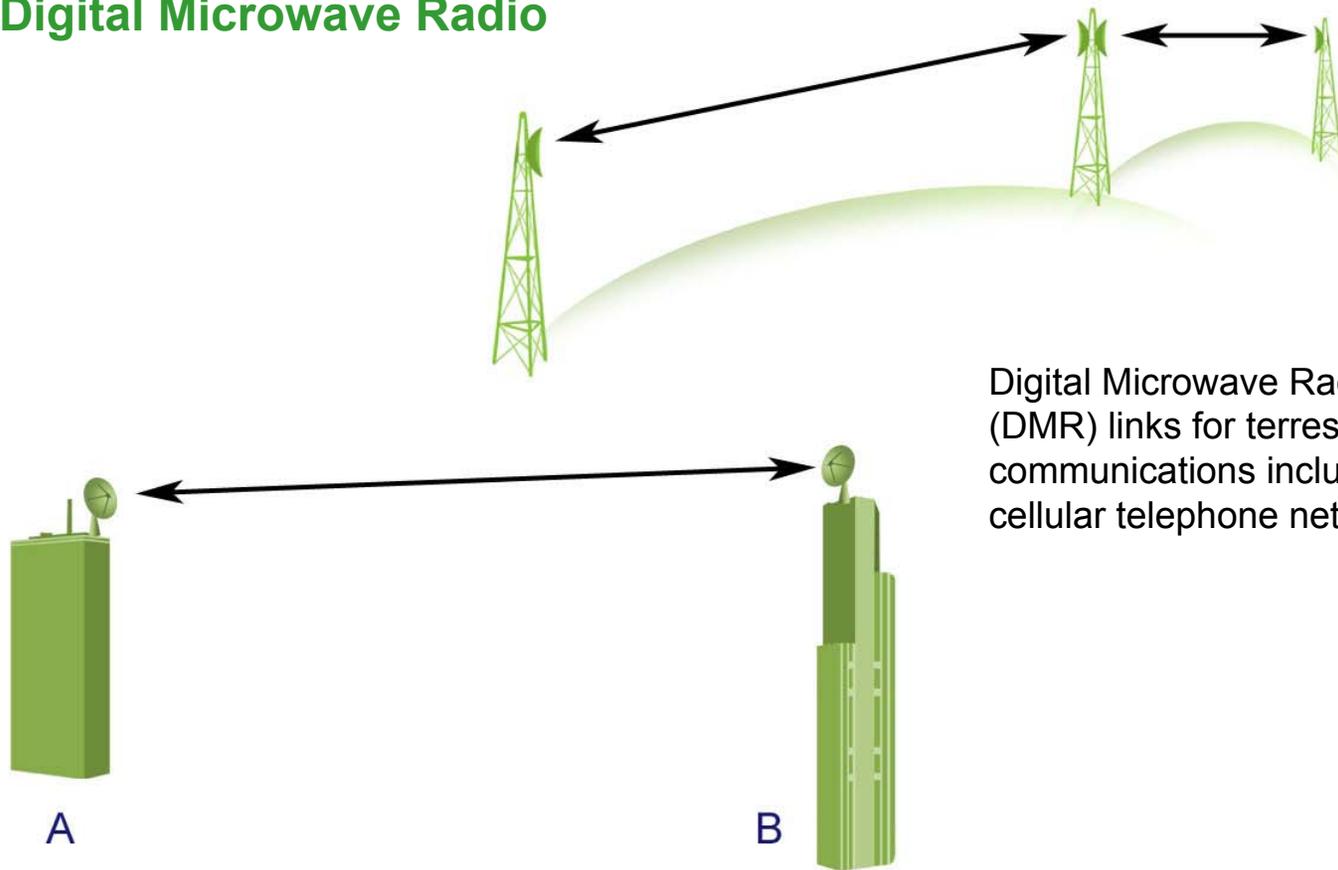
Codan Ku-Band Transceiver



**Codan Ku-Band
BUC**

New Products and Investment for Growth

Digital Microwave Radio



Digital Microwave Radio (DMR) links for terrestrial communications including cellular telephone networks

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)

New Products and Investment for Growth

Financial Results First Half FY06



6 Months Ended 31 December

| | 2005 \$'m | 2004 \$'m |
|---|-------------------|-------------------|
| Revenue | | |
| Communications Products | 50.8 | 57.5 |
| Other | <u>5.8</u> | <u>3.6</u> |
| Total Revenue | 56.6 | 61.1 |
| EBIT | 5.8 | 10.8 |
| Interest | (0.3) | 0.1 |
| Net profit before tax | 5.5 | 10.9 |
| Tax | (1.2) | (2.7) |
| Net profit after tax | 4.3 | 8.2 |
| Net Profit after tax after AIFRS adjustments | 4.3 | 8.9 |

New Products and Investment for Growth

Financial Results First Half FY06



Principal Impacts to Profit and Loss

- Exchange rate impact on Revenue of A\$6.5m, on EBIT of A\$4.8m, and on NPAT of A\$3.4m
- EBIT also affected by an increase in expenditure to support the launch of new products
- Price / Volume effect in Satcom market

Financial Results First Half FY06



| | Satcom | |
|--------------------------|--------------------|--------------------|
| | First Half FY05 | First Half FY06 |
| US\$ Revenue | US\$13.9m | US\$16.9m |
| Units Sold | 910 Units | 1200 Units |
| Average Selling Price | US\$15.3k | US\$14.1k |

**Underlying Satcom growth half year on half year 32% in units,
22% in USD revenue**

Financial Results First Half FY06



Interim Dividend

Earnings per ordinary share (cents)
(on issued capital at 31 December 2005 fully diluted)

**Actual
Dec 2005**

**Actual
Dec 2004**

2.7

5.5

Interim dividend (cents) per ordinary share

2.5

2.5

Franking

100%

100%

Record date

20 March 2006

Payment date

3 April 2006

New Products and Investment for Growth

Financial Results First Half FY06



| | Dec 2005 \$m | June 2005 \$m | | Dec 2005 \$m | June 2005 \$m |
|-----------------------------|-----------------|------------------|--------------------------------|-----------------|------------------|
| CURRENT ASSETS | | | CURRENT LIABILITIES | | |
| Cash | 4.7 | 1.5 | Accounts Payable | 13.5 | 20.2 |
| Receivables | 17.2 | 22.8 | Other | 0.0 | 0.1 |
| Inventories | 17.3 | 15.4 | Borrowings | 15.2 | 3.4 |
| Other | 2.3 | 1.7 | Provisions | 3.6 | 5.4 |
| | <u>41.5</u> | <u>41.4</u> | | <u>32.3</u> | <u>29.1</u> |
| NON-CURRENT ASSETS | | | NON-CURRENT LIABILITIES | | |
| Investments | - | - | Borrowings | 0.0 | 0.0 |
| Property, Plant & Equipment | 20.9 | 20.2 | Provisions | 7.8 | 8.0 |
| Product Dev't | 17.5 | 17.8 | | <u>7.8</u> | <u>8.0</u> |
| Intangible Assets | 25.9 | 24.6 | TOTAL LIABILITIES | 40.1 | 37.1 |
| Other | 3.5 | 3.7 | | | |
| | <u>67.8</u> | <u>66.3</u> | NET ASSETS | 69.2 | 70.6 |
| TOTAL ASSETS | 109.3 | 107.7 | SHAREHOLDERS EQUITY | | |
| | | | Share Capital | 23.6 | 23.6 |
| | | | Reserves | - | - |
| | | | Retained Profits | 45.6 | 47.0 |
| | | | | <u>69.2</u> | <u>70.6</u> |

New Products and Investment for Growth

Financial Results First Half FY06



Summary of Key Issues

- Impact of exchange rate
- Increased expense; new products launch
- Satcom price / volume considerations
- Capital expenditure program almost finished
- Working capital increase; new product introductions

New Products and Investment for Growth

Environment

- General recovery in world telecommunications
- The effect of the environment of world security concerns remains difficult to predict
- Now unhedged in our US dollar exposure, full impact taken in first half

Outlook – Key Business Factors



- Market penetration by new HF, Satcom, DMR and Broadcast product families
- growth opportunities for all
- Improving performance in China and domestic US markets
- Direct cost reductions to improve margins
- Overhead cost reductions; nearing the end of this round of new product development and launch
- Working capital reduction

New Products and Investment for Growth

Outlook – Second Half



Strong orders on hand to start the second half providing a good platform for improved revenue and profit.

Performance in second half still depends on order intake later in the period

Second half performance is unlikely to reach that of the same period last year

Confidence in longer term outlook

New Products and Investment for Growth

Thank you for your support of Codan

Any Questions?

New Products and Investment for Growth