



11 March 2008

Codan Limited  
ABN 77 007 590 605  
81 Graves Street  
Newton SA 5074  
Australia

PO Box 96  
Campbelltown SA 5074  
Australia

Company Announcements  
Australian Securities Exchange Limited

Dear Sir/Madam

We attach a series of slides, for presentation to investors and analysts, for immediate release to the market.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'R. Moody', with a large, sweeping flourish extending to the right.

Rick Moody  
Company Secretary



For personal use only



# Codan Limited Investor Presentations

You are invited to attend a presentation by Mike Heard, CEO & MD of Codan Limited regarding the acquisition of Minelab and Codan Limited's (CDA) Half-Year Results. Also present will be Rick Moody, Chief Financial Officer & Company Secretary, and Peter Charlesworth, General Manager of Minelab.

**Wednesday, 12th March at 9am**

Boyd Room  
Amora Hotel Jamison Sydney  
11 Jamison Street  
**Sydney**

**Thursday, 13th March at 9.30am**

Vienna Room  
Novotel Melbourne on Collins  
270 Collins Street  
**Melbourne**



# Codan Limited

Investor Presentation

For personal use only



## Half Year Results to 31 December 2007

11<sup>th</sup> March 2008

**Mike Heard**  
Managing Director &  
Chief Executive Officer

**Rick Moody**  
Company Secretary &  
Chief Financial Officer

# Contents

- Company and Business Overview
- Operations
- Products
- Customers
- Financial Results
- Outlook
- Questions

# Company and Business Overview

- Australian electronics design and manufacturing company serving global markets for communications and TV broadcast products
- Niche products for international niche markets; products for government, military, business and aid organisations
- Exports 90% of revenue to over 150 countries
- 100+ distributors, dealers, agents and service centres globally

# Operations

- Head office in Adelaide
- 350 staff
- Design and manufacture in Adelaide and Melbourne
- Sales and customer service offices or staff in Adelaide, UK, USA, China, India, Singapore and Germany
- 500 communications and broadcast customers worldwide

# Products

Codan offers high value-added electronic hardware products for:

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

Codan also manufactures and imports printed circuit boards (PCBs) for its own use and sale to electronics manufacturers in Australia and New Zealand

# Customers

- Law enforcement and security agencies
- Emergency service agencies
- Military forces
- Several other government agencies
- UN and NGO aid and humanitarian organisations
- Businesses
- Telecommunications service providers and systems integrators
- TV and video broadcasters and production houses (Codan Broadcast)



# Financial Results First Half FY08

## Profit and Loss

	Six months ended					
	Dec-07		Jun-07		Dec-06	
	\$m	%	\$m	%	\$m	%
Revenue						
Total Communications Products	\$44.7		\$54.3		\$56.7	
Total Other	\$5.0		\$5.1		\$5.5	
Total Revenue	\$49.7	100%	\$59.4	100%	\$62.2	100%
EBITDA	\$10.0	20.1%	\$10.7	18.0%	\$13.5	21.7%
Depreciation	(\$1.3)		(\$1.5)		(\$1.6)	
Amortisation of deferred R&D	(\$2.3)		(\$2.3)		(\$2.4)	
EBIT	\$6.4	12.9%	\$6.9	11.6%	\$9.5	15.3%
Interest	\$0.1		(\$0.2)		(\$0.4)	
Net profit before tax	\$6.5	13.1%	\$6.7	11.3%	\$9.1	14.6%
Tax	(\$1.8)		(\$2.0)		(\$2.6)	
Net profit after tax	\$4.7	9.5%	\$4.7	7.9%	\$6.5	10.5%

The company's average exchange rate for its exposure to the US dollar in the first half of FY07 was approx. 77 US cents to the Australian dollar compared to a rate of approx. 84 US cents in the first half of FY08.

# Financial Results First Half FY08

## Key Issues – Profit and Loss

Maintained the same NPAT as the previous half despite a significant revenue decline

- Very substantial improvements in productivity and reduction of expenses. Achieved more than double the targeted annual EBITDA improvement of \$2 million.

Revenue decline arising from:

- Continued strengthening of the AUD
- Very large HF radio contract in the first half of FY07 not repeated
- Contraction in Codan's global HF radio market

Continued growth in sales of satellite communications products

Negative impact of currency compared to the same period last year:

- On revenue, approximately \$3 million
- On NPAT, approximately \$1.5 million

# Financial Results First Half FY08

## Balance Sheet

	Dec 2007 \$m	June 2007 \$m		Dec 2007 \$m	June 2007 \$m
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash	4.7	5.9	Accounts Payable	11.5	12.7
Receivables	16.4	15.7	Borrowings	2.3	2.4
Inventories	12.7	14.1	Provisions	4.5	5.3
Other	3.1	1.9		18.3	20.4
	<u>36.9</u>	<u>37.6</u>			
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>		
Property, Plant & Equipment	17.1	17.8	Provisions	4.0	4.0
Product Dev't	14.1	14.4		<u>4.0</u>	<u>4.0</u>
Intangible Assets	24.7	25.0			
Other	0.0	0.1	<b>TOTAL LIABILITIES</b>	<b>22.3</b>	<b>24.4</b>
	<u>55.9</u>	<u>57.3</u>			
<b>TOTAL ASSETS</b>	<b>92.8</b>	<b>94.9</b>	<b>NET ASSETS</b>	<b>70.5</b>	<b>70.5</b>
			<b>SHAREHOLDERS EQUITY</b>		
			Share Capital	23.7	23.7
			Reserves	1.3	0.4
			Retained Profits	45.5	46.4
				<u>70.5</u>	<u>70.5</u>

# Financial Results First Half FY08

## Dividend

	Actual Dec 2007	Actual Dec 2006
<b>Earnings per ordinary share (cents)</b>	<b>2.9</b>	<b>4.0</b>
<b>Interim dividend (cents) per ordinary share</b>	<b>3.0</b>	<b>3.0</b>
<b>Franking</b>	<b>100%</b>	<b>100%</b>
<b>Record date</b>	<b>18 March 2008</b>	
<b>Payment date</b>	<b>1 April 2008</b>	

# Outlook

Business Environment in Calendar Year 2008

- Focus on new military HF markets given the contraction of existing markets
- Sound market for satellite communications products; new product releases
- An even stronger Australian dollar but with hedge protection
  - Second half of FY08 hedged at approx. 84 US cents
  - First half of FY09 hedged at approx. 85 US cents

# Outlook

## Key Initiatives in Second Half FY08

- Implement the plan to outsource manufacturing off-shore
  - Further substantial reduction in direct product costs
- Conclude the major market launches to stimulate growth
  - HF radio to military market
  - TV broadcast router products in Europe and North America
- Release important new satellite communications products
- Complete and integrate Minelab acquisition

# Outlook

## Guidance

- Many variables could affect second half performance
- Too early to forecast second half performance
- Guidance remains that NPAT could decline in FY08 compared to FY07
- Policy, in the absence of unforeseen circumstances, for annual dividend to be maintained or increased

# Outlook

## Corporate Growth Objective

- Major market launches will stimulate organic growth in FY09
- Organic growth to be supplemented by Minelab acquisition
- Activity will continue on further acquisition opportunities
- FY08 to be a new base for significant medium to long term growth





Questions?

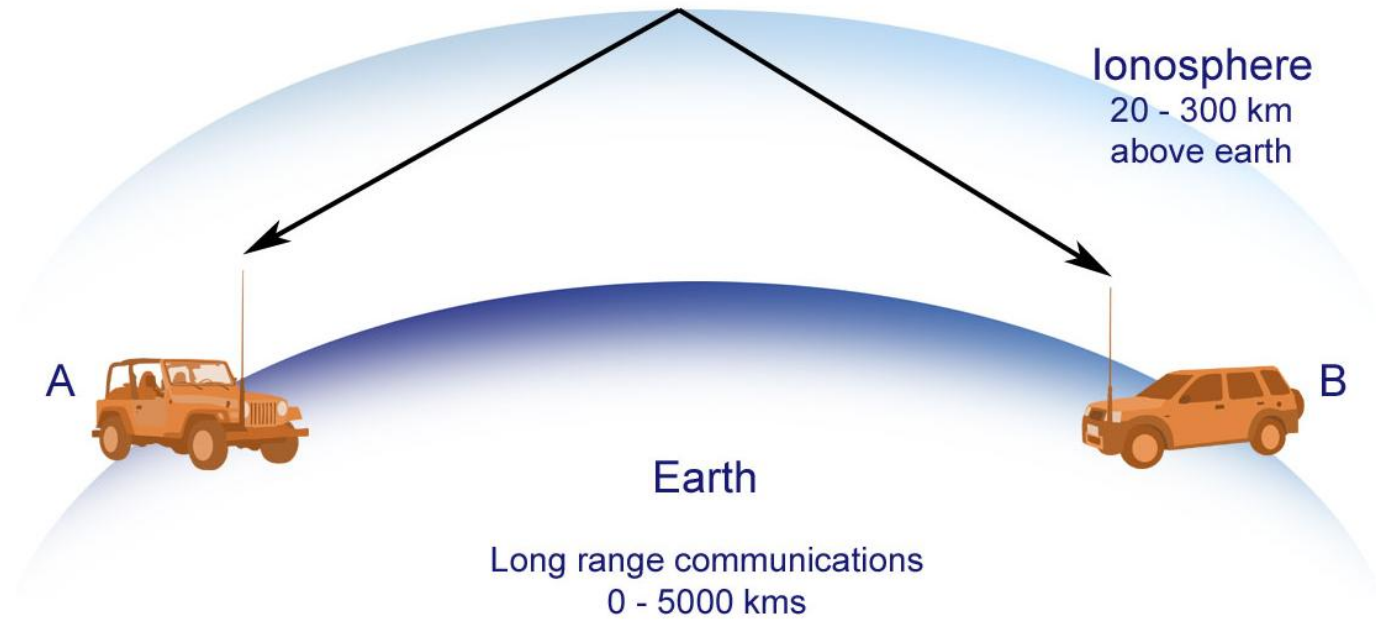
For personal use only



Thank you for your support of Codan

# Products

HF Radio



For personal use only

# Products

HF Radio



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

# Products

## Manpack HF Radio

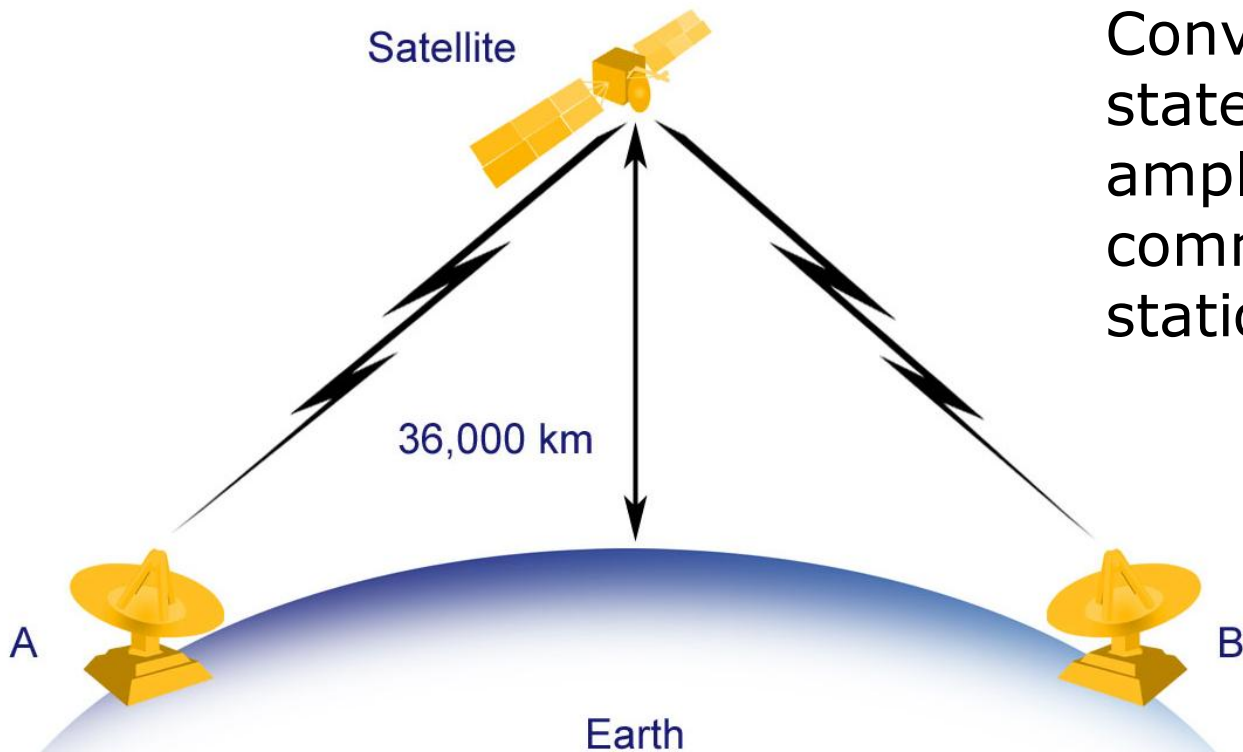
For personal use only



# Products

## Satellite Communications

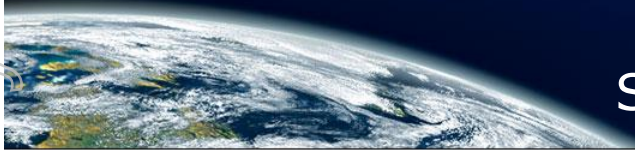
C and Ku Band Transceivers, Block Up Converters and solid state high power amplifiers for satellite communications earth stations.



For personal use only

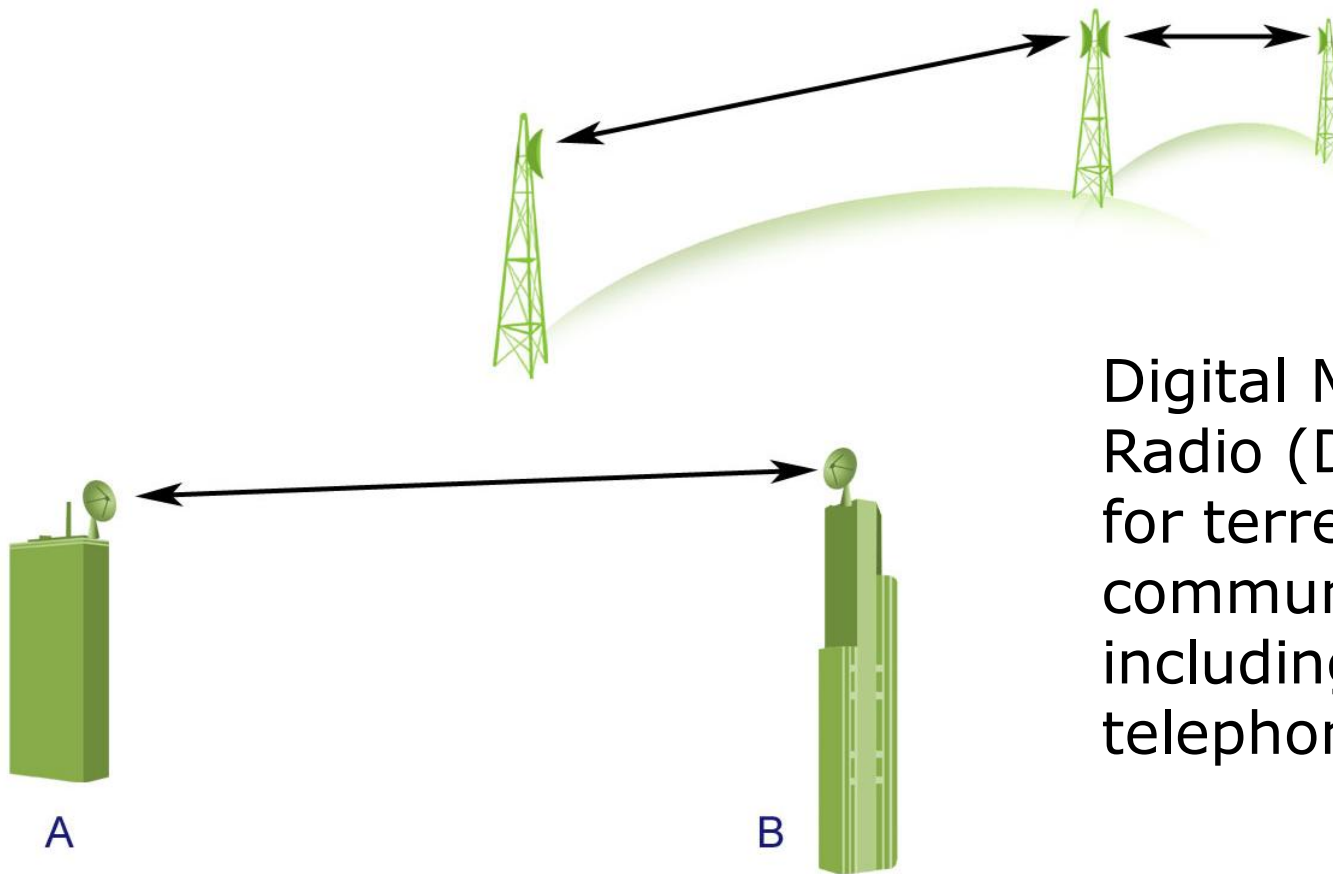
# Products

Satellite Communications Transceivers and BUCs



# Products

## Digital Microwave Radio



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



For personal use only

# Products

## Digital Microwave Radio



# Products

Broadcast



- 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.

your vision delivered

# Products

Broadcast



**PROVIDEO modular interface products**



**TALIA routers, control panels and audio monitoring bridges**



your vision delivered

For personal use only

For personal use only



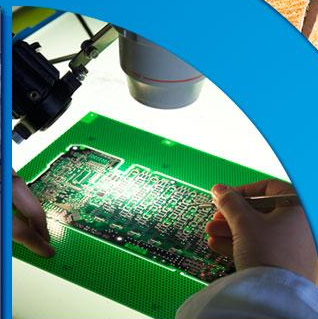
# Codan Limited

ABN 77 07 590 605

## Minelab & Parketronics Acquisition

### Investor Presentation

11<sup>th</sup> March 2008



For personal use only



# Contents

	<i>Page</i>
<b>Overview of Minelab</b>	2
<b>Summary of Acquisition</b>	3
<b>Consumer</b>	4
<b>Countermine</b>	7
<b>Minelab Detecting Techonolgy</b>	9
<b>Business Similarities</b>	10
<b>Parketronics</b>	11
<b>Operating Structure</b>	12
<b>Minelab Performance</b>	13
<b>Synergies</b>	15



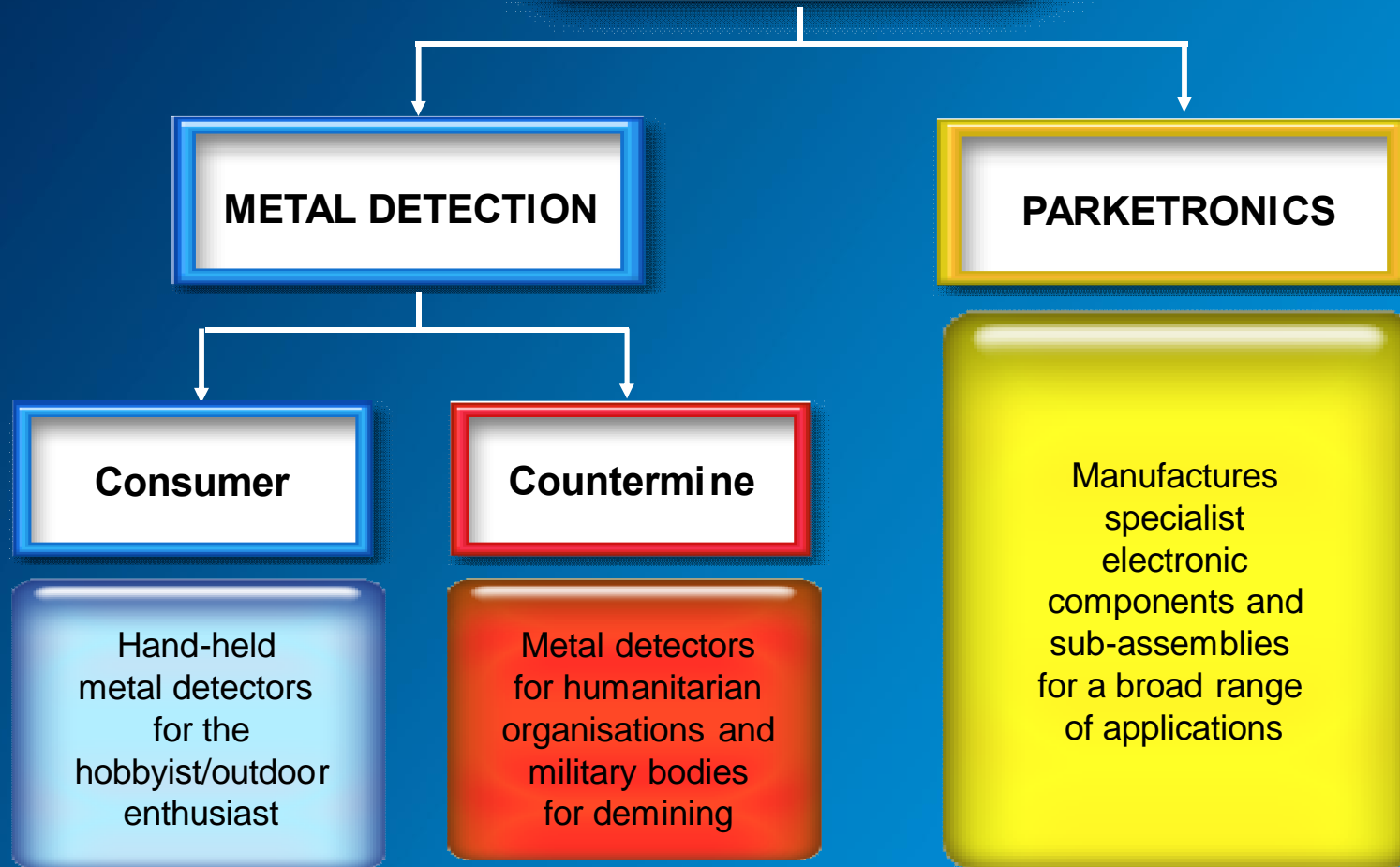


## Overview of Minelab

- ❖ Minelab is the world's leading designer and manufacturer of metal detectors and mine detecting solutions.
- ❖ Minelab's business is underpinned by the Minelab brand in the metal detection market.
- ❖ Its focus on research and development and its world class intellectual property, which is secured by patents, makes Minelab's products the world's best.
- ❖ Codan has acquired the two business units of Minelab:
  - “ Metal detection
    - Consumer
    - Countermine
  - “ Parketronics
    - Specialist electronics manufacturing



# Summary of Acquisition



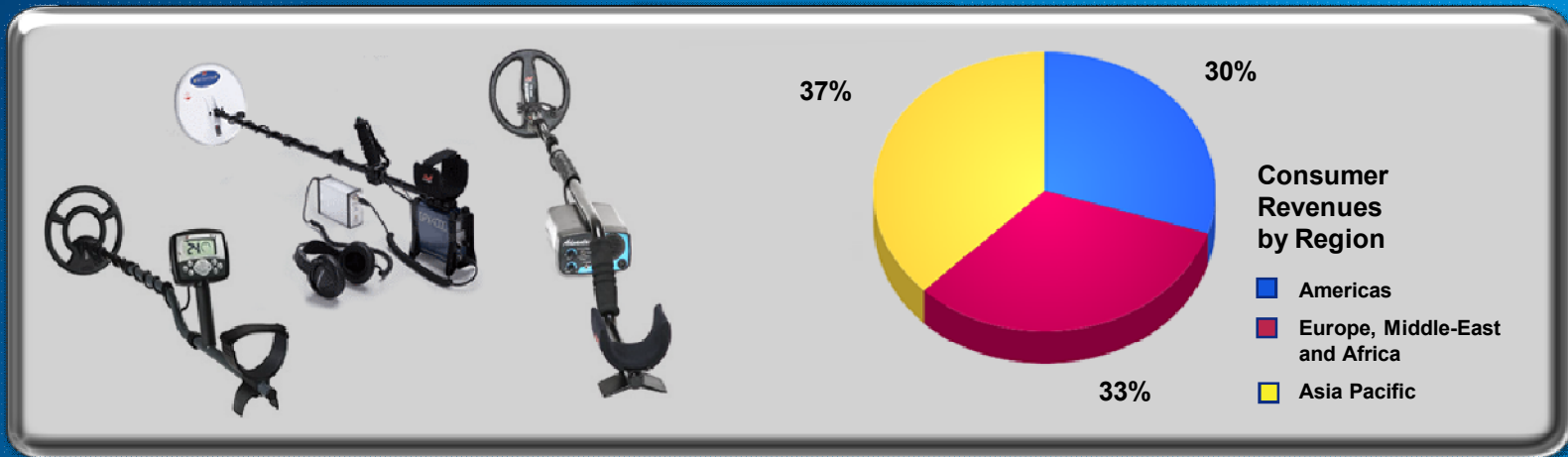
For personal use only





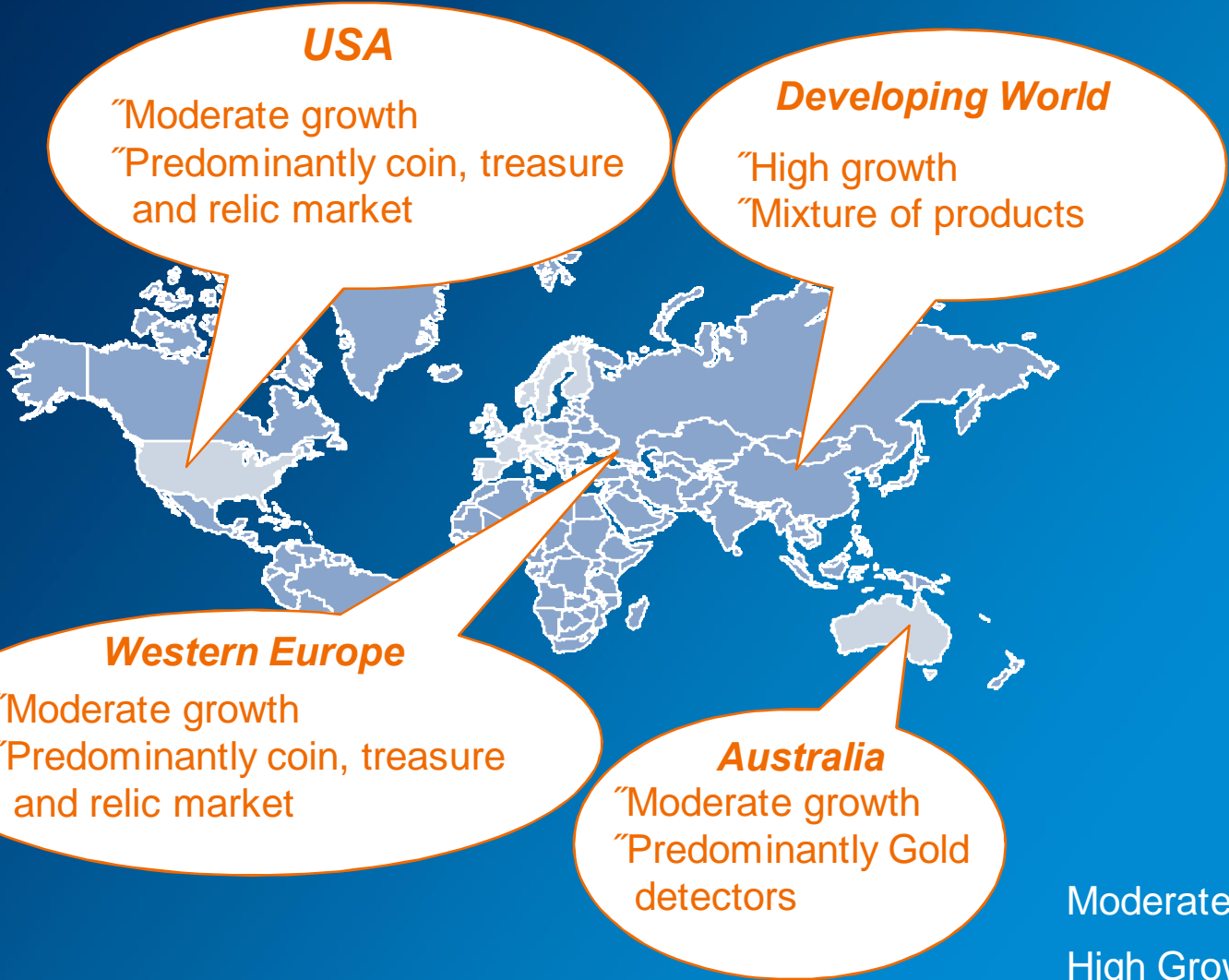
# Consumer

- ❖ Design, manufacture, market and distribute hand-held metal detectors
- ❖ Sales offices in key regions of Australia, Europe and the United States
- ❖ All key products
  - Coin & treasure, relics
  - Gold
  - Underwater
  - Hand-held security devices





# Consumer (cont'd)



Moderate growth = 2 . 8%  
High Growth = 10 . 20%

## Consumer (cont'd)

- ❖ Total market size ~ US\$100m
- ❖ Linked to consumer disposable income
  - growth rate per capita 6-7%
- ❖ The market is substantially composed of retirees with disposable income.
  - a potentially self-funding hobby
  - the excitement of discovery+
- ❖ Minelab growth rate 05 . 07 was 28% CAGR
- ❖ Minelab market share ~ 30%
- ❖ Equal dominant player globally with 2 other main competitors.
  - Competitors are primarily US based
- ❖ Market share growth in US & International markets expected

# Countermine

- ❖ Design, manufacture, market sales of mine detecting solutions
- ❖ Products supplied to customers in more than 55 countries
- ❖ Principle customers
  - Humanitarian organisations for demining
  - Militaries, in particular the US Army
- ❖ Products and services include hand-held metal detectors, vehicle mounted array metal detector systems, and training and maintenance services



## Countermine (cont'd)



- ❖ Total Humanitarian market size ~ US\$30m
  - dependant upon aid & humanitarian funding
  - ~20 . 30% market share and rising
- ❖ US and major Defence Force market
  - Significant development and supply contracts with US Army
  - Significant funding globally on R&D into mine detection solutions
  - Blue sky upside through US Army product development and supply planned for the future



## Minelab Metal Detecting Technology



- ❖ Under the terms of the acquisition, all patents previously licensed are now owned by Minelab.
- ❖ Minelab therefore has a strong and long dated patent portfolio.
- ❖ Minelab has key consultancy relationships and its own strong R&D/product development team for continued significant IP development.
- ❖ Technology extendable to the Industrial / Security markets, e.g. conveyor-belt processing, walk-through security systems.



## Similarities between Codan and Minelab

- ❖ Both design, manufacture and market internationally high value added products into global niche markets.
- ❖ Both have world leading technology and invest 6 . 8% of turn-over into R&D.
- ❖ Strongly culturally aligned; both South Australian!
- ❖ Minelab fits exactly into Codan's strategy of developing leveraged products for global niche markets.

CULTURAL INTEGRATION DIFFICULTIES MINIMISED!

# Parkelectronics



- ❖ Parkelectronics specialises in the manufacturing and testing of specialist electronic components and sub-assemblies.
- ❖ 66% of Parkelectronics revenue is external



# Operating Structure



\* Estimated staff numbers

Total Minelab: 146\*

Total Parkelectronics: 47\*



For personal use only



# Minelab's Performance

## Financial Year 2008 Forecast



Financial Forecast	FY08* (\$M)
Net Sales	47 - 50
EBITDA	9 - 10

- \* Full year forecast
- \* Minelab Group prior to acquisition



# Minelab's Performance

## Financial Years 2009 / 2010 Forecast



EPS Accretion to Codan	FY09	FY10
Minelab & Parketronics	0.5 – 1.0c*	1.0 – 1.5c*

- \* Depends upon exchange rate, primarily AUD/USD rate
- \* Progressive realisation of synergies, initially A\$1.0M, rising to A\$2.0M+ per annum.



For personal use only

# Metal Detection



## Key synergies

- ❖ Manufacturing
  - The Codan Group now manufacture at 6 different sites
  - OPPORTUNITIES!
- ❖ Management & Board
  - One Board
  - Head office functions serving a larger group
- ❖ Finance / IT / Commercial
  - Leverage Codan's investment in SAP to Minelab
  - Restructure Head Office / Divisional back office functions



# Metal Detection



## Key synergies

- ❖ Sales & Marketing
  - Leverage common marketing services across the larger group (eg Codan's global presence . offices in India, China and Washington, DC)
  - Common aid/humanitarian and military markets. Leverage knowledge and resources across Countermine and HF radio sales and marketing
  - Military marketing
    - Codan's HF entry into military markets will directly benefit from Minelab's substantial experience and linkage to this market.



# Parkelectronics



## Key synergies

- ❖ Parkelectronics supply loaded PCB assemblies to the broader Codan Group.
- ❖ IMP supply of bare PCBs to Minelab and Parkelectronics.

For personal use only



# Summary of opportunities



	Consumer	Countermine	Parketronics
Market Growth	✓ ✓	0 - Humanitarian ✓✓✓ - MIL	N/A
Market Share	✓ ✓	✓ - Humanitarian ✓✓ - MIL	N/A
Synergies	✓ ✓	✓	✓

For personal use only



## Conclusion



**The acquisition of Minelab Electronics Pty Ltd will deliver enhanced value to Codan shareholders and benefit customers and staff of the enlarged Codan group.**

