

24 November 2016



Codan Limited

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COMPANY ANNOUNCEMENTS PLATFORM

AUSTRALIAN SECURITIES EXCHANGE

PROFIT GUIDANCE FOR THE SIX MONTHS TO 31 DECEMBER 2016

Key Points

- Underlying net profit after tax for the first half is expected to be in the range of \$20 million to \$22 million.
- Sales for the four months to 31 October were \$74 million, up 76% on the same period last year. Metal Detection contributed sales of \$44 million, Radio Communications \$27 million and Tracking Solutions \$3 million for this period.
- African sales of our new GPZ 7000[®] gold detector continue to be very strong.
- Radio Communications sales were boosted by a large contract that was secured last year but was delivered early this financial year. This is not currently expected to be repeated in the second half.
- We continue to deliver against the strategy to broaden and enhance our product range in order to access larger addressable markets.
- Codan remains debt free.

Guidance

At the Annual General Meeting held in October 2016, the Chairman stated that the business would deliver a first-half net profit after tax well ahead of last year, but that it was too early to provide a forecast.

As a result of the continued strong demand for the GPZ 7000[®] gold detector in Africa, the performance of the business has exceeded our expectations for the month of October, and this strong demand has now continued into November.

Given the current level of order activity, the Board now expects the underlying net profit after tax for the six months to 31 December 2016 to be in the range of \$20 million to \$22 million.

In previous announcements, the Board has stated the following with respect to business unit performance in FY17:

- Metal Detection has produced sales in the range of \$70 million to \$100 million in the past three years, with the underlying metal detection business expected to achieve sustainable annual revenues of at least \$70 million. Periods of strong demand for gold detectors in Africa, as experienced this half, have the potential to push metal detection sales to the top end of this \$100 million range and beyond.
- Radio Communications delivered its best profit result for seven years in FY16, and it will be a challenge to repeat that result in FY17 despite the strong start. We continue to invest heavily in new products in order to broaden the markets into which we sell; however, the full benefit of this investment is not expected to be seen until FY18 and beyond.
- Our Tracking business continues to gain customer acceptance and is expected to deliver a small profit in FY17.

The business will produce a first-half result that is a significant improvement on the prior year, and this level of performance gives us confidence for the future; however, we have assumed that the demand for GPZ 7000® detectors in Africa will return to more normal levels in the second half. On this basis, the Board expects the FY17 full-year underlying net profit after tax to be in the range of \$30 million to \$32 million, an increase of at least 42% over the FY16 underlying profit of \$21.1 million.



Michael Barton
Company Secretary

Codan is an industrial technology company that provides robust technology solutions to solve customers' communications, safety, security and productivity problems in some of the harshest environments around the world. Our customers include United Nations organisations, mining companies, security and military groups, government departments, major corporates as well as individual consumers and small-scale miners.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-

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