



## **Chairman's Address to Shareholders**

**25 November 2016, Melbourne:**

Good morning. My name is Garry Lowrey. I am Chairman of Traffic Technologies and Chair of today's Annual General Meeting. I am pleased to welcome you to today's AGM and thank you for your attendance and continued support of the Company.

We were disappointed to report a loss for the 2016 financial year. The Group reported a net loss after tax of \$22m for the financial year ended 30 June 2016 including an impairment charge to goodwill of \$20m and the write down of a deferred tax asset of \$1.4m. These adjustments were considered prudent given the disappointing result for the year. The adjustments do not however affect cash flow or the trading operations of the Group.

At an operating level, earnings were affected by weak economic conditions, lack of government expenditure on infrastructure in the markets in which we operate, higher import prices and delays in securing approvals for new technology which led to project delays until late in the 2016 financial year.

The outlook for the Company is however positive with a number of exciting growth initiatives which have been developed by the Group and which are expected to benefit both revenues and earnings in the years ahead.

A significant growth area is the LED road lighting market in Australia. The roll-out of LED road lights across Australia is expected to result in significant long term cost savings for state road authorities, local councils and power authorities in terms of power savings and maintenance costs.

The Company recently won the Best Design Award at the Australian Smart Lighting Summit for 2016 for its LED street light. The Australian Smart Lighting Summit is the leading lighting event in the region focusing on street, urban, outdoor and public lighting. This award constitutes industry recognition for the Company's state-of-the-art, smart LED street lights which the Company has devoted significant resources and time in developing.

This investment has enabled the Company to secure its first significant orders for LED road lights, having received approval for its products in a number of states. The Company has been awarded a number of significant contracts to supply LED street lights to State road authorities and power companies, including for the upgrade of the Monash and Calder Freeways in Melbourne and to power companies in New South Wales, Victoria and South Australia. Initial shipments against these orders contributed to operating earnings in the final quarter of the 2016 financial year. Continued growth is expected to benefit earnings in the years ahead.

The Group has also developed a number of new products in the Intelligent Transport Systems (ITS) area, including school speed zone signs, variable message signs and other forms of electronic signage. It has been further developing overseas markets for the supply of its traffic signals and traffic controller equipment.

The Company recently exhibited its products at the ITS World Congress in Melbourne. This event was an important showcase for innovative products that will be used to manage traffic flows in the years ahead.



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The Company's subsidiary, Quick Turn Circuits (QTC) has recently secured a number of significant export orders, including a \$2.2 million order to supply traffic controllers to Singapore and orders to supply traffic controllers for the Shanghai and Pudong markets in Mainland China. These orders are in addition to recent export orders from Hong Kong, New Zealand, Qatar, Jordan, Kenya and Ecuador and continue the Company's export strategy of opening up new markets where demand may also exist for the Group's other products such as traffic signals, pedestrian countdown timers and electronic signage.

The Board continues to work closely with management on strategy for the business including initiatives to improve our current business and also to better position the business for the future in a dynamic market. Further announcements will be made in due course.

Our Board and management are committed to improving shareholder value. Along with my fellow Directors, I thank you for your continued support.

At this point, I would like to again acknowledge the contribution to the Company of your past Chairman Mr Alan Brown who resigned from the board this year. Alan served on the Board from 2004 and as Chairman from 2010 to 2015. The Board wishes to thank Mr. Brown for his leadership, consistent hard work and support for the Company throughout his 12 years of service.

I would also like to thank Mr Ken Daley, who has retired as a Director of the Company, for his service to the Board over the last two years and for his valuable contribution to the Company.

It is also an opportune time to pay tribute to Mr. Con Liosatos and the management team. Con and his team have continued to work tirelessly on behalf of all shareholders. They have deep experience with the Company and the Board believes are the best credentialed and most skilled people to continue to lead this Company forward.

Finally, along with my fellow directors, I would like to thank you once again for your patience and continued support. The Board looks forward to improving shareholder value in the years ahead, particularly through the developments and other initiatives I have mentioned.

I would now like to introduce Con who will provide an overview of the Company and our future prospects.