

Managing Director's Address to Shareholders

24 November 2017, Melbourne:

Thank you, Mr Chairman

We were pleased to report an improved and positive result for 2017 financial year.

- Revenue was \$48.9m, compared to \$44.0m in 2016 - increase of 11%.
- EBITDA was \$4.6m compared to \$2.6m in 2016 - increase of 77%.
- Net profit after tax was a profit of \$1.0m, compared to a loss of \$22.3m in the previous year (which included an impairment provision of \$20.0m and the write down of a deferred tax asset).

The financial year to 30 June 2017 saw the Group return to profitability, with all product groups and services contributing to positive results. The Group's result can be attributed to a significant investment, as previously announced, in R&D development of new products and diversification in the Group's product offerings and services along with the continued rationalisation of production, supply chain and overheads.

The 2017 financial year saw an improvement in trading performance across the Group from services, exports and products. I am pleased to report that this positive trend has continued. We have enjoyed a solid start to the 2018 financial year with a strong order book and a continued focus on securing significant customer supply contracts including:

- Supply and install of over 8,000 LED street lights for VicRoads.
- Supply, install, commission and maintain proprietary software "Smart City Platform – TST" across Victoria for VicRoads.
- Supply 10,000 LED Street lights for the Mornington Peninsula Shire.
- Supply 8,000 LED Street lights for the City of Kingston.
- Supply and install of LED Street lights for Gold Coast City Council.
- Supply and install pilot program of "proprietary software "Smart City" platform "TST".

The Group has continued to diversify its earnings base, in terms of products, services and markets and this is expected to provide further growth opportunities in the years ahead. The Group's product and services range has been extended with the commercialisation of a range of LED road and street lights, controllers to a much broader customer base, the development of software platforms for "Smart City" and "IoT" applications, maintenance of key assets and a range of innovative "ITS" products for use in Smart City applications and the management of traffic flows.

We have been working closely with state road authorities to ascertain their traffic management requirements for the years ahead. Our Smart City technology connects street lights and other traffic management equipment on the road to a central control and management system. Our technology facilitates quick and efficient control of street lights and will also enable a number of other applications to be connected in the years ahead, including control and warning messages which will be capable of being transmitted from a centralised control room to individual vehicles and mobile devices including driverless cars and trucks.

This diversification of the Group's product and services range along with de-risking of the Group's revenue stream has led to positive growth which is continuing in the 2018 financial year. This has been assisted by the gaining of formal approvals for our lighting, controllers and traffic signal products and the securing of a number of significant long term supply contracts.

The Group's lighting products have seen significant growth after several years of development, having secured approvals and long term supply contracts and orders from state and local government agencies, power companies and contractors. The Group's LED road lights are "Smart City" ready, are significantly more energy efficient than conventional road lights and represent an attractive opportunity for state road authorities, local councils, power companies and other customers to make significant savings in their power bills and maintenance costs in a time of rapidly increasing electricity prices.

With several significant customer supply contracts in place we saw an increase of over 50% in lighting sales in the 2017 financial year. The Group secured a number of important contracts including those mentioned by the Chairman in his address being contracts for the supply of road lights to the M80 Ring Road Upgrade and Manningham City Council in Victoria, along with contracts to supply LED street lights to power authorities in Victoria, New South Wales, South Australia and the Queensland state road authority. Importantly we have continued to win supply contracts in the 2018 financial year.

With significant growth expected in the ITS sector, the Group has positioned itself by developing a suite of new products to enable state road authorities to manage the road network more efficiently. Our products include school speed zone signs, variable message signs as well as a range of electronic signs which have now been commercialised and are "Smart City" ready.

Our export markets have continued to develop with significant growth in export sales in 2017 to the UK, New Zealand, Asia, the Middle East and South American markets across a number of product portfolios and in particular Controller sales experienced strong growth of over 40% compared with the previous year in sales, both locally and offshore.

The Group continues to be the dominant supplier of traffic signals to the Australian market with the supply of traffic intersection products for new intersections and road projects as well as for maintenance requirements. We have continued to develop export markets for our traffic signal products, including the UK and New Zealand markets. Our products have a particular focus on road safety and we have continued to export our lanterns and pedestrian countdown timers to overseas markets including the UK, New Zealand and the Middle East.

Our signage products have again contributed positive earnings for the Group and once again been a solid and stable base in delivery positive earnings for the 5th year in a row. We are the only national supplier of road signs to the Australian market, with operations in every state. The focus of management and staff remains on cost control and factory efficiency combined with quality, service and reliability, which has led to the Group's signage products becoming the benchmark in a highly competitive market.

The Group's strategy in broadening its revenue streams through a Smart City approach of "Design – Manufacture – Supply – Install – Maintain" has provided leverage in the securing of significant long term customer supply contracts and the expansion of export sales particularly in QTC. Combined with careful management of costs, this is expected to further lift revenues and improve profitability in the 2018 financial year.

The development of exciting new and innovative products, in particular “Smart City Platforms”, lighting and controllers, will put the Company in the forefront in the use of technology to manage traffic flows in the years ahead, as managing traffic congestion and its associated costs becomes a greater priority for all levels of government, both in Australia and overseas.

Whilst we have solid order books at the start of the 2018 financial year and government expenditure programs are strong and in particular for the states of New South Wales and Victoria, we must remain cautious about the economic outlook due to the level of current political uncertainty. It is therefore too early to provide earnings guidance for the financial year ending 30 June 2018. However, with a strong start to the financial year and a solid order book, expectations are high for a positive earnings result.

Finally, I would like to take this opportunity to thank our shareholders for their continued support along with the staff and management of the Group.