

Managing Director's Address to Shareholders

30 October 2019, Melbourne:

Thank you, Mr Chairman

Sales revenue in 2019 was \$48.9 million compared to \$56.7 million in 2018, whilst EBITDA was \$4.3 million compared to underlying EBITDA of \$5.0 million in 2018.

The result for the previous financial year to 30 June 2018 included a gain on repayment of debt and a write-down of inventory, which makes the 2019 result not directly comparable. To enable a more appropriate comparison of the trading result, I have therefore compared the 2019 result to the "underlying" trading result for the 2018 financial year, excluding those items.

As previously reported, sales were affected by delays in government expenditure following on from the Federal election and recent state elections in Victoria and New South Wales and diversion of government expenditure to other priorities. These and other factors contributed to delays in decisions on a number of government projects and term contracts. As a result, some sales which had been expected to contribute to sales in the 2019 financial year were delayed.

Along with our competitors we have experienced generally slow trading conditions in the market resulting in a slowdown in orders and further project delays. Weak economic conditions and restrictions on bank lending following the Banking Royal Commission have also impacted the domestic markets in which the Group operates.

Although we have experienced a slow start to the current financial year, a number of contracts which we had previously expected are now starting to be awarded. We have recently announced significant orders for LED street lights in New South Wales and Tasmania and there are a number of opportunities in progress which we expect to make further announcements when we are awarded these contracts. The result for the half year will depend on timing of delivery of these contracts and it is therefore possible that the result for the half year could fall below the result for the previous corresponding period.

We have continued to invest in research and development with the major focus on development being the roll out of our "Smart City" platform "TST". Significantly, we have first mover advantage in various aspects of this technology as our "Smart City" platform has multiple applications which are of significant benefit to users. Although some of our competitors are developing "Smart City" systems, they tend to be limited to single applications, whereas our "TST" system is enabled for multiple applications. Major customers include road authorities in Australia and overseas and local councils as well as operators of large networks of assets.

Our "Smart City" platform enables users to monitor and control thousands of assets linked through a secure private network to a central control system. Applications include control of traffic management assets such as street lights, as well as detection of traffic flows, parking availability, environmental and waste management. The roll-out of the Group's proprietary "Smart City" software "TST" is attractive to road authorities, councils and power companies because it enables them to fully utilise and maintain critical assets in real time in a significantly more cost-effective manner than previously, driving financial savings and better utilisation of assets as well as reduction of greenhouse gases.

All levels of government are now realising the cost-benefit of “Smart City” systems and we are now in discussions with a number of significant road authorities around the world, including in London, Singapore and Hong Kong. Our “TST” platform has already been rolled out in Victoria, New South Wales, South Australia and the Gold Coast and we have recently announced a cooperation project with Monash Council and Monash University to develop a “Smart City” platform for a precinct in the Monash Council area. We expect “Smart Cities” to be a significant growth opportunity for the Group in the years ahead. This is expected to deliver annuity revenue streams for the years to come with over 16,000 sensors currently deployed and growing.

The Group is continuing to benefit from the roll-out of LED street lights across Australia. There are approximately 2.3 million street lights in Australia and we estimate that approximately 20% have so far been converted to LED technology. This represents a significant opportunity for the Group.

LED street lights are significantly more energy efficient than conventional street lights and represent an attractive opportunity for state road authorities, local councils and other customers to make significant savings in their power bills and maintenance costs in a time of rising electricity prices as well as being digitally ready for IoT devices.

The Group’s LED, “Smart City”-ready lighting products are well positioned for further growth, having secured approvals, long term supply contracts and orders from state and local government agencies, power companies and contractors. We continue to win significant contracts in this area and, whilst the pace of the roll-out has been less than we would have liked over the past quarter, we are now winning some significant orders and annuity streams to underpin our growth moving forward.

Our export markets continue to develop, including the UK, New Zealand, Asia, the Middle East and South America, with export revenue opportunities from the Group’s “TST” “Smart City” platform and traffic controllers. Significant export orders have recently come from New Zealand, Singapore, Ecuador, China, Qatar and Mexico. The Group has also identified opportunities to supply its state-of-the-art lighting control systems and “Smart City” platform to overseas markets in London, Hong Kong, Singapore and Peru.

As one of the major suppliers of traffic signals to the Australian and New Zealand markets as well as one of the largest suppliers of static road signs to councils and state road authorities, along with our fully integrated production systems, we are able to service the requirements of all state road authorities and the largest road projects especially with the dawning of a major infrastructure boom across the east coast.

The Group’s diversification program has transformed the business by de-risking revenue through expansion into “Smart City” platforms with a growing annuity revenue stream from expanding SaaS activities and the increase in multi-year term supply contracts with power companies, road authorities and municipalities along with the most recent acquisition of L&M to deliver term maintenance contracts for a number of councils across Victoria enabling further vertical integration of the Group’s products and service portfolio. All these initiatives and contracts are expected to underpin the Group’s earnings base for the years ahead.

I would now like to summarise some of the major achievements of the Group over the past year. These have included:

- Refinancing of the Group’s debt. Following on from the debt restructure in April 2018 with a reduction in debt of \$7.9m, we have recently announced a further restructure of the Group’s debt. This has introduced two new debt providers and is expected to

reduce the Group's finance cost by up to \$0.7m pa, lessen its foreign currency exposure and provide more flexibility in meeting the Group's funding requirements in the years ahead.

- Cooperation agreement with Monash Council and Monash University. This agreement was entered into recently to develop a 'Smart City' platform in Oakleigh, Victoria, that comprises the development of a connected IoT ('Internet of Things') platform. The platform will enable multiple sensor approaches and data communication technologies to sense, collect and analyse relevant data and deploy sensors, applications and services to improve user experiences within the Oakleigh precinct in Victoria and enable the Group to showcase its state-of-the-art-system across many disciplines.
- Awarded contracts to supply over 6,000 "Smart City"-ready LED street lights to six councils in Tasmania. These contracts were awarded under an "umbrella" agreement with the Municipal Association of Victoria which services local councils in Victoria and Tasmania. We would expect that this will lead to further contracts to upgrade street lights to LED technology across other local council areas in these states in the future.
- Award of contract to supply 3,000 "Smart City"-ready LED street lights for RMS, the state road authority in New South Wales. This contract is expected to lead to the further deployment of our LED street lights across the state. We are also currently commissioning the deployment of our "Smart City" platform in New South Wales, including associated hardware and software, as well as a central control and monitoring system across that state which will include annuity streams for years ahead.
- Further development of the Group's "Smart City" platform which has a range of applications extending well beyond the control of street lights themselves and puts the Group in a strong position for the next growth phase in markets which will include traffic monitoring, detection, asset maintenance, fault notification, environmental monitoring of weather conditions, parking, waste management and in particular smart mobility for the everyday road and transport consumer.
- Further development of export opportunities in overseas markets, including the Middle East, Singapore, China and South America, as well as "Smart City" trials in the UK and Hong Kong.

We believe the outlook for the Group is positive despite the slow start to the year to date and taking into consideration the commitment to infrastructure expenditure by all levels of government and the Group's diversification program into "Smart Cities" technology with IoT and annuity streams, new state-of-the-art products introduced and the benefit of significant long term customer supply contracts which are expected to benefit the Group in the years ahead.

Once again, I am very pleased to have your ongoing support and thank our shareholders along with our staff and management of the Group for their ongoing support and commitment and believe that we are well placed to improve shareholder value in the years ahead.