

ASX Announcement

29 November 2023

Managing Director's Address to Shareholders

Thank you, Mr Chairman.

We were pleased to report an increase of 8% in trading revenue in 2023 from \$58 million compared to \$54 million in 2022. EBITDA was however impacted by higher input costs, the depreciation in the Australian dollar by 13% causing an increase in imported components costs, significantly higher freight costs and delays in supply chain and major projects.

Finance costs were lower in 2023 following net repayment of debt of \$1.3 million in the previous year, whilst NPAT was a loss, after allowing for an impairment provision of \$6 million.

Despite economic challenges, demand for the Company's products and services remains strong with the upturn in recent infrastructure programs announced by Federal and State governments and following several recent contract wins.

The Company's order book remains firm with term contracts extending several years and during the year the Company secured extensions of several of its major contracts with power authorities for the supply of its Smart City LED streetlights as well as a contract to install streetlights throughout Tasmania. This contract expands the Company's installation business interstate and represents a significant investment in the Company's Tasmanian operations.

During the financial year the Company supplied its Smart City Bus Priority software for the World Cup in Qatar, where the software creates a digital copy of a virtual representation of the road network enabling more efficient traffic management across multiple transport systems with the latest "Special Priority Engine." This contract along with several projects across Hong Kong, Singapore and New Zealand represents a significant strategic opportunity to deploy next generation Smart City technology to manage transport systems around the world.

During the 2023 financial year the Company refinanced its debt facilities with a three-year invoice and trade finance facility along with the extension of a term loan to December 2025. The structure of the Group's debt facilities and the availability of sufficient working capital to fund the Company's growth and operations are challenging and is a key focus for the Board and management in improving this position through a more flexible financial structure and a profit improvement program to deliver significant cost savings in the year ahead.

The Company is well placed for future improvements in cities requiring "Smart City technology", where the urban traffic controller is automated to regulate the sequencing and timing of traffic signals by monitoring vehicular and pedestrian demands and adjusting to meet these requirements. Integration of urban traffic controllers into the Company's "Traffic SmartCity Technology" (TST) platform" is pivotal to the next phase of the

Company's expansion where the in-house design and manufacture of this highly technical Smart City equipment is scaled for the benefit of communities across Asia, Middle East and South America.

Our next-generation streetlights for roads, streets and tunnels, operate even more efficiently than previous generations, with significant reduction in energy consumption. This next generation of "smarter and greener" luminaires will change the nature of Australian roadways, providing critical social benefits in an economical and environmentally sustainable way. Future earnings are underpinned by a number of recent contract wins, long term supply contracts and orders from State and local government agencies, and power companies.

With a national footprint, the Company continues to be Australia's major accredited provider of traffic signals, urban traffic controllers, street lighting, electronic speed signs and regulatory signs to state road authorities, local councils and power companies, providing a truly one stop solution to our customers.

The Company has a strong commitment to the environment and sustainability and through our rigorous R&D programs the Company has developed its "Go Green Enviro Lantern Housing" for use in traffic signals. The new housing reduces carbon dioxide emissions from product manufacture and energy reduction and is fully recyclable – the first of its kind in Australia and with the deployment and implementation of our "Smart City" platform driving data analytics customers can make informed decisions in real time making roads safer, greener, and adaptable to the needs of communities.

The Company, as part of its first stage of the profit improvement program has begun the relocation of its manufacturing and administrative functions to a new base in Fairfield, Victoria. This will involve the closure of its two existing facilities in Victoria and a planned reorganisation of its manufacturing facilities and sites across the rest of Australia with significant savings across the Group. This consolidation and relocation of production is expected to generate significant savings of up to \$2.5 million of efficiencies in the next 18 months.

The outlook is positive, despite economic challenges, as we are well positioned to benefit in the years ahead from increased government expenditure on infrastructure programs, new products being developed by the Company and the Group's diversification program into "Smart City" technology, IoT devices and annuity streams.

Once again, I am very pleased to have your ongoing support and thank our shareholders along with the board, staff and management for their dedication and continued support of the Group.

Announcement authorised for release by the Board of Traffic Technologies.

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