



ABN 21 080 415 407
Traffic Technologies Ltd.
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17 November 2014

Manager Companies
Company Announcements Office
ASX Limited
Level 4, Securities Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Traffic Technologies Ltd

Please find attached letter sent to shareholders today.

Yours faithfully,

Peter Crafter
Company Secretary

17 November 2014

Dear Shareholder,

Traffic Technologies Ltd
Annual General Meeting to be held on 25 November 2014

You may have received an unsigned letter from 'Warneet Fund and its associates' relating to the Company's forthcoming AGM.

I am writing to you on behalf of Traffic Technologies to provide some important background information and to clarify some of the points raised in Warneet's letter.

I am confident that once you examine the details below, you, too, will agree with the Board and disregard the claims and misinformation contained in the Warneet correspondence and continue to support your current Directors.

I can also confirm that international proxy advisory firm, Glass Lewis, has recommended that shareholders vote in favour of all the resolutions that are on the AGM notice of meeting.

Background

The Board and senior management of Traffic Technologies were approached several months ago by associates of Warneet Fund. Their main concern was to propose the appointment of a particular nominee of theirs to the Board. A subsequent meeting was held where there was further pressure to appoint their nominee to the Board. At these meetings, representatives of Warneet Fund and its associates indicated that, if their nominee were not nominated to the Board, they would 'agitate' at the AGM to promote their agenda.

At the same time, Traffic Technologies had initiated a search through an executive search firm for an additional non-executive Director to join the Board, with appropriate industry knowledge. Traffic Technologies did put Warneet Fund's nominee forward to the executive search firm and he was considered, along with a number of other potential Board candidates. Eventually, after an exhaustive process, Mr. Ken Daley was nominated for election to the Board at the AGM.

Having failed to get their nominee appointed to the Board, Warneet Fund are now using their 4.5% stake in your Company in an attempt to exert a disproportionate level of influence over the Company's affairs.

This is not acceptable to the Board, which is why we recommend that you ignore the letter from Warneet Fund.

Responding to shareholders

The Board is of course receptive at all times to concerns raised by shareholders. The Board has acknowledged that the financial year ended 30 June 2014 was particularly disappointing after five years of continuous profit improvement. The weak performance was mainly due to cutbacks and delays in Federal and State Government funding for road infrastructure projects, a matter out of the Company's control. A project to upgrade traffic signals in New South Wales to LED technology was delayed by a reorganisation within the NSW road authority (RMS), which has since outsourced its maintenance arrangements to private contractors. This project is now underway and is expected to contribute to earnings in the current financial year.

Plans for Growth

As previously reported, your Company has invested significantly in a number of growth initiatives which are expected to benefit the Company in the medium term, including the development of a number of products in the Intelligent Transport Systems sector, export opportunities including the proposed upgrade of traffic signals by Transport for London to LED technology and, most exciting of all, the planned roll-out of LED road lights across Australia.

Resolutions

I would like to comment on the resolutions to be put to shareholders at the AGM:

Resolution 1	Re-election of Mr. Alan Brown as a Director	I have advised the Board that I will be stepping down as Chair of the Company in 2015. It was always my intention to step down in 2015 and I will also step down as Chair of the Nomination & Remuneration Committee following the AGM.
Resolution 2	Election of Mr. Ken Daley as a Director	Mr. Daley has an extensive background in traffic engineering and transport projects and will be a valuable addition to the Board. Mr. Daley is an outstanding candidate for this position and has decades of experience in our industry both within Australia and internationally. I believe he is an excellent appointment for Traffic Technologies and we are very fortunate to have secured Mr. Daley as a new Director. The Company is also continuing its search for another non-executive Director with complementary skills to existing Board members to further strengthen the Board.
Resolution 3	Approval of Remuneration Report	Remuneration of Board and Key Management Personnel is determined annually by the Remuneration Committee. Remuneration is benchmarked against comparable ASX listed companies, specifically against industry reports which survey ASX listed companies banded



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		according to size and specific criteria and recruitment agencies. Total Board and management remuneration actually fell by 6% in the 2014 financial year. In addition, although the Remuneration Committee approved bonuses for the Managing Director and CFO in respect of the 2013 Financial Year, which was a good result for the Group with NPAT up by 81% compared to the 2012 year, these bonuses were not taken up due to the weaker outlook for the 2014 financial year.
Resolution 4	Approval of additional placement capacity	This resolution is standard for listed companies of this size and gives the Board the flexibility to raise additional capital if required without the time and expense involved in holding another shareholders' meeting.
Resolution 5	Approval of the giving of financial assistance	<p>The resolution is not to approve any additional finance. The resolution addresses a technical requirement under the Corporations Act which is necessary to bring the assets of Quick Turn Circuits Pty Ltd (QTC) within the security arrangements in respect of the Group's banking facilities. QTC was acquired in December 2013.</p> <p><i>If the resolution is not passed, it will result in a breach of TTI's banking facilities. In these circumstances, it is highly irresponsible for anyone to suggest that shareholders should vote against the resolution.</i></p>

Thank you for your continuing support.

The Board strongly recommends that you disregard the letter from Warneet Fund and associates and that you vote **in favour** of all resolutions.

Yours sincerely,

Alan Brown
Chairman