

## Managing Director's Address at Annual General Meeting

25 November 2014, Melbourne:

Thank you, Mr Chairman

After 5 years of continued profit improvement it was extremely disappointing to report an NPAT loss for the 2014 financial year. Revenue was \$40.1 million, down 11% on the previous financial year. The decrease in revenue was primarily due to government cutbacks in funding for infrastructure projects and project delays. EBIT was \$1.7 million before one off costs, down 65% from the previous financial year. However, I am pleased to report that, even though the 2015 financial year started slowly, progress has been made with the New South Wales traffic signal upgrade with significant orders received in the second quarter. The delivery of this part of the upgrade means that the first half of the current 2015 financial year should see an increase in revenues of up to 20% and an EBIT increase of up to 50% before one off costs compared to the same period last year.

Operational highlights for the 2014 financial year included:

- Core traffic signals business remained solid despite delays.
- Bob Panich traffic signals business continued to win export business.
- Acquisition and integration of QTC was completed with a positive contribution following acquisition.
- \$1.4million contract win by QTC for the supply of traffic controllers to Saudi Arabia.
- LED Street Light approved for use in Victoria, South Australia and the Northern Territory along with commercial sales.
- UK approvals and commercial sales throughout the country for countdown timers, traffic signals and emergency telephones.
- Signage division continued to benefit from the previous restructure program with increased profit contribution.
- Capital raising of \$7 million completed for the acquisition of QTC and repayment of debt.
- Net debt reduction of \$2.4 million.
- Cash flow improved at an operating level by almost 300%.
- Results included restructuring and acquisition costs of \$0.9 million.

The acquisition of QTC in December 2013 was an important strategic acquisition for the Group and has so far exceeded our expectations. QTC has contributed positive returns to the Group since its acquisition. The integration of QTC into our business has been completed and it has certainly strengthened our core traffic signals and intersection business in Australia and internationally. This was demonstrated by the recent export order won by QTC for the supply of \$1.4m of traffic controllers to Saudi Arabia. QTC has also recently won export orders from overseas countries including China, Singapore, New Zealand and South America.

The acquisition of QTC has enabled the Group to expand its product range with the addition of traffic controllers and opened new markets offshore for the Group's traffic signals business. The Group is now able to develop export markets worldwide in conjunction with QTC across the 27 countries and the approximately 37,000 intersections which use the SCATS system.

The Group continues to be the dominant supplier and manufacturer of LED traffic signals throughout Australia and New Zealand. The Group has continued to supply traffic signals for the intersection upgrades in New South Wales. The roll-out was delayed last year and further delayed in the first quarter of 2015 by the transfer of maintenance contracts by the New South Wales road authority to private contractors. However this process has now been completed by the New South Wales road authority RMS and the project is well underway and anticipated to be completed by 30 June 2015.

In addition there continue to be traffic signal upgrade opportunities in Australia with approximately 30% of the market not yet converted to LED. Further, LED traffic signals that were installed over the past 13 years are slowly coming to the end of their useful life and will then also need to be replaced or upgraded in the coming years.

The Group is aggressively pursuing new markets and developing new products to position itself for future growth in the years ahead. Even with economic pressures the Company has maintained its position as the leading supplier of traffic signals to the Australasian market and is developing its export opportunities in several markets, including the United Kingdom, where we have had a number of contract wins to date for the supply of pedestrian countdown timers, traffic signals and emergency telephones to a number of transport authorities, including Transport for London (TFL), local councils and rail operating companies.

The United Kingdom is in its early stages of upgrades to LED traffic signals with only 13% of the 6,000 intersections in London converted to date. We see this as a significant opportunity for the Group, especially with the announcement from Transport for London of the award of 317 million pounds of maintenance works, including the upgrade of 6,000 traffic intersections to LED technology over 8 years. Whilst this project is still at an early stage and orders received to date, we expect it to provide a major opportunity for the Group to accelerate its position in the UK market in the years ahead.

Our research and development programs ensure that we continue to be market leaders in a global traffic industry which demands energy efficient products and increasingly innovative solutions. The Group has developed new products in the Intelligent Transport Systems (ITS) sector with commercial sales to date. Excitingly, after years of research and development, our road lighting business is gaining momentum with the Group's first commercial sales of LED road lights.

Road lighting is a very significant opportunity for the Group. Over the past few years we have developed a range of LED road lights which are significantly more energy efficient than conventional road lights. This represents an attractive opportunity for State road authorities, local councils and other customers to make significant savings in their power bills in a time of rising electricity prices and to reduce maintenance costs. Our LED road lights have been undergoing rigorous tests and trials in various States and we now have products approved in Victoria, South Australia and the Northern Territory with other road authorities expected to follow and our first commercial sales have now been achieved. There are approximately 2.25 million road lights in Australia and the roll-out of LED road lights offers a significant opportunity for the Company in the years ahead.

The Group's Signage business continues to be one of the main suppliers of road signs to the Australian market and once again contributed profits in the 2014 financial year. Revenue for the Signage business improved by 3% and EBITDA by 42%. Benefitting from the integration of manufacturing facilities across the Group, along with the continued focus by management and staff on cost control, factory efficiency, quality and service has led to the business becoming the benchmark in a highly competitive market.

Despite an uncertain economic climate the Group remains focused on aggressively pursuing local and export markets and combined with internal efficiency programs to reduce costs, including rationalising production and processes, we expect the 2015 financial year to deliver an improvement on the previous financial year.

Finally, I would like to take this opportunity to thank our shareholders for their continued support.