

Release to Australian Securities Exchange

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MARKET UPDATE

Redflex Traffic Systems Inc. (RTSI, the USA subsidiary)

In our US market, we continue to leverage our scale, technology and violation processing system to support a broad customer base while pursuing profitable, but market-limited growth. We operate today in 23 states, working closely with local police departments, cities and states to design and enhance photo enforcement programs, and to ensure that they are implemented both responsibly and reliably.

As we have referenced in the past, several US states are considering legislation to enable photo enforcement based on significant demonstrated safety benefits. At the same time, existing programs in several other states, including New Jersey and Ohio, where RTSI currently conducts business, face actual or potential legislative action that could restrict or impair the operation of photo-enforcement. These changes affect all the companies in the photo-enforcement market in these states. RTSI has been active in working to inform both public opinion and these legislative debates.

New Jersey

RTSI installed our first systems in New Jersey in 2009 under a pilot program to evaluate the benefits of red light cameras. Since 2009, RTSI has grown its presence in New Jersey with excellent program results. In fact, the 3rd Annual Report of the New Jersey Department of Transportation (NJDOT) found that red light cameras significantly improve safety over time, noting sizable reductions in right-angle and rear-end crashes, as well as red light running.

The New Jersey pilot program expired on Tuesday, December 16th and will remain inoperable unless or until new legislation is passed to reauthorize the program. We continue to work closely with key participants in the decision-making process to ensure that they understand the effectiveness of our programs in enabling efficient and safe traffic flows. If not reauthorized, the New Jersey program would represent a loss of \$2.1 million (US\$1.7 million) in net book value and 6.2% of the annual budgeted revenue of the North American business.

Ohio

RTSI has been operating photo enforcement systems in Ohio since installing our first red light camera in the state in 2001. The Ohio legislature has periodically considered and now has recently passed legislation significantly reducing the viability of red light systems operating within the state. This legislation is intended to be implemented 90 days after the Ohio Governor signs the bill into law. Should our systems be deactivated in Ohio, the company would incur a loss of \$1.85 million (US\$1.5 million) in net book value and 5.7% of the annual budgeted revenue of the North American business.

Impact on Reflex Holdings

The potential impairment or write-down of assets in New Jersey and Ohio was not contemplated in prior guidance provided by the company. As a result of these recent developments, RTSI is exploring how to optimise the support it provides to existing and new customers, as well as the manner in which to best assist key constituents within New Jersey and Ohio in their ongoing deliberations about the future of photo enforcement in each state. As a result of the recent developments, we will also evaluate reductions in our cost base to lessen the economic impact of these changes; we will update the market more fully once these initiatives have been implemented.

Board Composition

The directors of Reflex Holdings Limited are pleased to announce the appointment of Clark A. N. Davey to the Board as a Non-executive Director.

Mr. Davey holds a Bachelor of Commerce from the University of Melbourne. He is a Chartered Tax Advisor and a Member of the Australian Institute of Company Directors.

From 1985 to 2006, Mr. Davey was at PricewaterhouseCoopers (PwC), the last 12 years of which were as a Partner with a focus on Corporate Tax. Since 2006, Mr. Davey has held a variety of tax advisor and non-executive director roles for Australian based entities, including Karoon Gas Australia Limited, an ASX200 listed company. He brings expertise in financial and tax issues, as well as a strong orientation toward risk and strategy. Mr. Davey is based in Melbourne.

In addition, we have asked that Robert DeVincenzi extend his service on the board through the transition to a qualified replacement director. Accordingly, Mr. DeVincenzi has agreed to defer the effective date of his previously-submitted resignation, which was to take effect 16 January 2015, coinciding with the expiration of his consulting agreement. Mr DeVincenzi will continue to act as a Non-executive Director and Chairman of the Risk and Compliance Committee until the appointment of a new Director. While serving exclusively in a director capacity, Mr. DeVincenzi will only be remunerated pursuant to standard NED arrangements. The board is working diligently to identify Mr. DeVincenzi's replacement.

About Reflex

Reflex Traffic Systems®, a leader in road safety technologies, operates more than 1,500 photo enforcement systems in more than 200 cities throughout the United States and Canada. With our continuous development of new safety products, Reflex has been helping to reduce collisions and save lives for more than 25 years.

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