

## Chairman's Address at Annual General Meeting

25 November 2014, Melbourne:

Good morning my name is Alan Brown, the Chairman of Traffic Technologies and Chair of this Annual General Meeting. I am pleased to welcome you to the AGM and thank you for your attendance today and continued support of the Company.

Before I comment on the Group result for the 2014 financial year, I would like to note that shareholders would have recently received correspondence from the Company and Warneet Fund about the resolutions that will be put before shareholders at today's meeting.

I plan to address that correspondence shortly and prior to the vote on each resolution before you today.

As to the Group's performance for the 2014 financial year, your Board is disappointed about the result which was significantly affected by reduced government expenditure and project delays. The Group reported a net loss after tax of \$1.2 million for the financial year ended 30 June 2014, compared to a net profit of \$3.1 million in the previous financial year.

The outlook for the 2015 financial year is however overall much more positive and the major infrastructure projects announced by State and Federal governments should further benefit the Group over the coming years. Of particular note is the project to upgrade traffic signals in New South Wales to LED technology. The roll-out was slower than we expected last year. However we have since received significant orders and now expect this project to be completed by 30 June 2015.

The Group is now in the final stages of developing a number of growth initiatives which should see the Group perform significantly better in the coming years. I will now explain these initiatives in more detail. Our acquisition in December 2013 of Quick Turn Circuits Pty Ltd (QTC) has given the Group a strategic presence in the traffic controller market. The controller was an important element in consolidating our leading market position in traffic intersection products in Australasia. Furthermore, the acquisition of QTC has already provided the Group with a number of cross selling opportunities for our traffic signals in the various export markets that QTC already supplies.

We have continued to develop our export capabilities. We have a presence in the United Kingdom where we have won a number of contracts to supply pedestrian countdown timers, traffic signals and emergency telephones to a number of transport authorities, including Transport for London, local councils and train operating companies. Importantly, the UK is only in the early stages of upgrading its traffic signals to LED, approximately where Australia was a decade ago. Transport for London recently announced a major upgrade of its 6,000 intersections to LED technology over 8 years and the Group is well placed to supply LED traffic signals to three of the maintenance contractors in the years ahead.

We have continued to invest in research and development and have developed innovative products in the traffic management sector, including several products for the 'ITS' (Intelligent Transport Systems) sector, including electronic signage and school speed zone signs.

Most significantly, we have entered the LED road lighting market in Australia with our first commercial sales. Our LED road light has already been approved for sale in several States. With our depth of LED expertise and our exposure to councils and road authorities we see LED

road lighting as a unique opportunity for the Group. The roll-out of LED road lights across Australia is expected to result in significant long term cost savings for State and local government in terms of power savings and maintenance costs. With approximately 2.25 million road lights in Australia this is a very large opportunity and we are poised at the forefront.

The acquisition of QTC last year was funded via a placement of new shares. Through this capital raising we were able to welcome a number of new large shareholders in the Company.

Although we expect to see an improvement for the 2015 financial year, the year has started slowly mainly because of the transfer of New South Wales maintenance contracts to private sector contractors which further delayed the upgrade of traffic signals in that State. However this transfer has now been completed and we expect to see an improvement in our trading result from the second quarter onwards for the remainder of the financial year. We are not yet however in a position to give firm guidance in respect of the first half or indeed for the full 2015 financial year. However, we will continue to update you on any material changes as the financial year progresses.

I referred earlier to correspondence that you have received about the motions that are before shareholders today.

They include a resolution to elect Mr. Ken Daley to the Board. The Group has sought to actively maintain a Board structure which provides an appropriate mix of experience and expertise to provide strategic guidance for the Group and effective oversight of management. The Board has conducted an extensive search process for new Board members and engaged an executive search firm to assist in identifying and screening potential candidates with a view to finding a director who offered a complementary skill set to the current skills matrix of the Board. The Board is delighted to recommend that Mr. Ken Daley be elected to the Board. The Board would also like to appoint another non-executive Director and is therefore continuing with the search process for another Board member.

Mr. Daley has an extensive background in traffic engineering and transport projects. Early in his career he was appointed to the Senior Executive Service in the Victorian Public Sector for agencies now part of VicRoads. He was then Managing Director for the Victorian and South Australian branches of what is now Hyder Consultants where he led the establishment of the traffic and transport business. Mr Daley was more recently President, International Development with Transurban where he was part of the leadership group and responsible for the delivery of major projects in the USA. We look forward to welcoming Mr. Daley to the Board.

A minority of shareholders led by Warneet Fund have indicated they are opposed to the election of Mr. Daley, as well as the adoption of the remuneration report. The remuneration of Board and Key Management Personnel is determined annually by the Remuneration Committee and is reviewed and benchmarked against ASX listed companies of a similar size, specifically against an independent third party report which surveys ASX listed companies banded according to size and specific criteria. The Board is however responsive to all shareholders' concerns and so will address the issue by initiating a review of remuneration.

I would also like to advise that, although the Remuneration Committee a year ago approved bonuses for the Managing Director and Chief Financial Officer in respect of the 2013 financial year, these bonuses were voluntarily not taken up because of the weaker financial performance in the 2014 financial year.

Warneet Fund has also advised shareholders to vote against my re-election as a director.

As I recently advised in my letter to shareholders on 17 November, I will be stepping down as Chair of the Company in 2015. It was always my intention to step down in 2015 as I believe that this is the appropriate time for a new chairman to have oversight of the next phase of the Company's growth.

An announcement about the new chairman will be made in due course once the Company has completed its search for another non executive director.

I will also step down as Chair of the Nomination & Remuneration Committee following today's AGM.

Apart from the ordinary business of receiving the financial report of the Group for the year ended 30 June 2014, the election of directors and the approval of the Remuneration Report, today's Annual General Meeting will include the special business of approving the Group's additional placement capacity in accordance with the ASX Listing Rules and approving the giving of financial assistance in accordance with the Corporations Act.

I would also like to take this opportunity to pay tribute to Mr. Con Liosatos and the management team. Con and his team have, and continue to work tirelessly on behalf of all shareholders.

Finally, along with my fellow directors, I would like to thank you once again for your patience and continued support. We look forward to improving shareholder value in the years ahead, particularly through the growth initiatives I have mentioned.

I would now like to introduce Con who will provide an overview of the Company and our future prospects.