

Release to Australian Securities Exchange

Shareholder Update

29 April 2010

In late February, Redflex Holdings Limited released its results to the market for H1 FY2010. Since then there have been a number of developments and it is appropriate to give shareholders an update on the status of your company. Key items are: a number of new and significant contract wins; the Arizona state-wide contract; litigation update; and indicative expected effects on the FY2010 financial results.

Canadian Contract Signed

Redflex has contracted with the Insurance Corporation of British Columbia (ICBC) to supply, install and maintain 140 intersection safety camera systems and provide the Image and Infringement Processing System (IIPS).

ICBC is a Crown Corporation that provides automobile insurance and is also responsible for driver licensing, and vehicle licensing and registration for over 3 million drivers across the Province of British Columbia. The Intersection Safety Camera program is an integral road safety initiative operated by the police in BC in partnership with ICBC to reduce the frequency of crashes associated with running a red light in various communities across the Province. The contract is for an initial term of six years with two additional two-year extension options. Redflex was selected after a rigorous assessment process that included a Proof of Performance phase that required Redflex to install and operate six intersection safety systems that were closely evaluated by ICBC.

“British Columbia is a safety-minded technology leader that takes a thoughtful approach in operating road safety camera programs. Redflex is proud to be the selected partner to advance its technology to superior digital quality,” said Karen Finley, President and CEO of Redflex Traffic Systems, Inc. “Redflex has established a strong rapport with ICBC through the rigorous Proof of Performance phase and looks forward to a meaningful partnership that will result in reduced accidents and fatalities in this populous province.”

Ireland Supply Contract Signed

On 23 November 2009, we announced that a consortium, of which Redflex was a member, had won a contract in the Republic of Ireland for an outsourced safety program expected to generate revenue for the consortium of €65million (approximately AU\$100million at the time of the announcement) over a five-year term. Redflex has a 16% shareholding in the consortium which also comprises Irish company Spectra and French company EGIS Projects SA. The consortium is now fully funded and has entered into a supply contract with Redflex.

The contract between the consortium and Redflex is for the supply of REDFLEXradarcam mobile radar safety camera systems, REDFLEXiips our Image and Infringement Processing System (IIPS) back office, and a range of support services.

The REDFLEXradarcam is our state of the art radar safety camera system, selected in the most recent tenders in Australia and New Zealand. The system combines leading-edge radar technology with sophisticated digital camera technology to deliver a market-leading safety camera solution.

Redflex will also provide our Image and Infringement Processing System (IIPS). The system efficiently processes large volumes of infringements and caters for flexible business requirements. The workflow engine presents offences for verification and the document management system links correspondence to the offence data.

The subcontract to supply the enforcement camera technology and back-office software is worth over \$9 million in revenue to Redflex Traffic Systems Pty Ltd. Revenue of approximately \$5 million is expected in FY2011 with the remaining revenue arising over a 5 year contract period.

South Australian Contract

We are pleased to announce the execution of a contract with the South Australian Department for Transport, Energy and Infrastructure (DTEI).

Redflex has been contracted to supply the fixed safety camera systems to the South Australian Government for the next three years. The contract is for the supply and optional installation of red light/speed cameras, fixed speed cameras, point to point cameras and railway crossing cameras.

Redflex expects to install the range of safety camera technologies at sites to be selected based on the South Australian road safety strategy. The contract revenue is expected to be in excess of \$6 million over the three year period.

This contract follows on from the award to Redflex for the mobile radar camera systems and previous tenders to provide red light/speed camera systems to the State.

Saudi Contracts

The contracts to supply Redflex camera systems and back office to the Etihad Al Afandi consortium in the Kingdom of Saudi Arabia were announced on 2 November 2009. The contracts, worth about \$34 million over a five year period, are to provide Photo Enforcement Systems for the Automated Traffic Violations Administering and Monitoring (ATVAM) project awarded by the General Traffic Directorate/ Ministry of Interior (MOI) for the Kingdom of Saudi Arabia. This includes the initial supply of speed enforcement systems, together with the supply and set up of a Violation Processing Centre (VPC), adapted to Saudi Arabian requirements.

There is a further contract to provide the operations and maintenance of the VPC for a period of five years.

Potential exists for significant additional related contracts which could substantially increase the value of these contracts after the initial project gets to the stage of issuing citations.

Redflex has performed some preliminary work, and subject to commitment to proceed is in a position to move quickly to supply the initial 40 camera systems and the IIPS back office systems, and to commence setting up to operate the Violation Processing Centre in that country.

The contract to supply the enforcement camera technology and back-office software is worth approximately \$4 million in revenue, most of which is expected in FY2011 with the remaining \$30 million arising over a 5 year contract period, once the consortium commences issuing citations.

Other Contract Wins

In the North American market, we continue to experience positive momentum in both new and existing markets. From January to March we averaged the execution of approximately 3 contracts per month, for a total of 9 for the period.

Of greatest prominence is the development of two new markets, which include the States of New York and Alabama. In Alabama, following the precedent of Birmingham, which was granted explicit state authorisation, Redflex is working closely with both our contracted cities and various other Redflex committed cities through the enablement process, which should be forthcoming.

In addition to the continued contract flow, Redflex has contract awards or commitments from over 20 additional jurisdictions including the pioneering of a new state.

The company is still on target to install 350 new cameras for the full 2009/2010 financial year, with 266 new cameras installed in FY2010 to the end of March.

State-wide Program in Arizona

The Arizona state-wide contract was responsible for a negative impact of \$4.9 million on the first half FY2010 result. Some of the effects giving rise to that have been dealt with, and work is ongoing to improve the performance. At this stage the program is approximately break-even at the gross margin level, that is, the revenue received from the program covers the costs of maintaining and supporting the cameras and processing violations, however it is not making a material contribution to company operating expenses or covering the depreciation on those assets employed. The full year loss after depreciation and allocation of operating expenses is expected to be approximately \$6.7 million.

A number of initiatives are under way to improve the performance of the program, in the operational and legislative areas, however any improvements are likely to be incremental and are not expected to give rise to significant benefits in the immediate future.

Also, the base term of the contract is due to expire early in FY2011 and while we are working hard to ensure that it is extended, there is a distinct possibility that the program may not continue. If that is the outcome, then there would be a significant write-down of the assets for the program which would be likely to affect the FY2010 result. This potential write-down is estimated to be of the order of \$5 million. Even if the program does continue in early FY2011, a number of groups opposed to photo enforcement are trying to have a referendum put to voters in November 2011 to effectively end photo enforcement in the state of Arizona. Whether this referendum occurs, and the likely outcome, are difficult to predict at this stage.

Litigation by Competitor

The litigation brought against Reflex by a competitor has been running for some time. Reflex has mounted a vigorous defence and believes that its position is strong. In April, the court substantially reduced the scope of potential damages in the case. The matter is expected to go to trial in May and we can make no assurances on whether or not the jury will find Reflex liable. Reflex has incurred substantial expense in the defence of this action and the rate of expenditure is expected to continue in the lead-up to a trial.

Full year legal costs for this matter and all other legal matters are expected to be approximately \$6.2 million, including the trial phase which is expected to be concluded in early June.

Reflex has also taken separate action against the same competitor and we believe we have a strong case, which we will pursue aggressively.

Underlying Business

Apart from the effects of the Arizona state-wide contract and litigation, the US safety camera business for Reflex remains strong. Overall total revenues have continued to increase year on year. Revenues per camera have declined somewhat over the years as the industry has matured, but economies of scale and cost control measures have worked to keep the underlying EBITDA margins at approximately the same level as they have been for the past few years.

The rate of new contract capture has been lower since the economic crisis, however this is reflected in our industry as a whole and Reflex continues to maintain market share and has outperformed its nearest competitor in contract wins by approximately two to one.

Impact on H2 Earnings

Reflex reported a full year pre-tax profit of \$13.4 million in FY2009. The H1 FY2010 result showed an underlying pre-tax profit of \$10.5 million which was severely reduced by \$4.9 million in losses on the Arizona State-wide Speed program and \$1.3 million in legal costs associated with defending an action brought against the company by a competitor. As a result we reported a pre-tax profit of \$4.3 million.

The core traffic photo enforcement business remains relatively strong providing margins consistent with those experienced in prior years. The underlying pre-tax profit is expected to be approximately \$20.0 million, reduced by the full year effect of the following items:

The loss on the Arizona State-wide Speed program for H2 is expected to be significantly less than in H1 with the program approaching break-even at the gross margin level. Revenue is currently covering the cost of processing violations and maintaining and supporting the cameras, but without covering depreciation or making a contribution to operating expenses. On a full year basis we expect to incur a pre-tax loss of \$6.7 million on this contract.

The cost of defending litigation by a competitor has accelerated and is creating a significant negative impact on the full year results, particularly with the case scheduled for trial in May. In addition we have had to address legal actions in numerous states during the course of the year. Legal costs for all of these actions are expected to be \$6.2 million for the whole of FY2010.

All precontract costs for the ICBC contract, the Ireland investment and subcontract supply agreements and the Saudi Arabian supply agreements have been expensed in FY2010. The cost of winning these contracts is approximately \$1.0million, with the benefits to be realised in future accounting periods.

Accordingly we expect to report full year pre-tax earnings for FY2010 of approximately \$7 million compared to \$13.4 million reported in FY2009.

We are aiming to resolve the uncertainty around the Arizona State-wide Speed program and improve performance in FY2011, as well as bringing the litigation by a competitor to a conclusion. We should then see the strength of the underlying business, together with the profitable outcomes from the new international business contracts in Ireland, Canada and Saudi Arabia.

Accordingly we are anticipating a stronger FY2011 result.

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