



Release to Australian Securities Exchange

Letter to Shareholders re Proposal by The Carlyle Group and Macquarie

4 March 2011

Please find attached letter that was sent to shareholders this week.

For further information:

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25 February 2011

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Dear Redflex Shareholder

Proposal by The Carlyle Group and Macquarie for Redflex

I am writing to advise to you that on 21 February 2011 Redflex entered into a Scheme Implementation Agreement with an entity associated with The Carlyle Group and Macquarie Group Limited (“Macquarie”) (together the “Consortium”) under which it is proposed the Consortium will acquire all of the shares in Redflex by way of a Scheme of Arrangement (“Scheme”).

This follows a thorough sale process where over 40 parties globally were approached, many of whom executed confidentiality agreements and were provided with access to a data room. After receiving a number of confidential proposals in December 2010 and following negotiations with a number of parties, Redflex’s Board concluded that the Consortium’s proposal provides the best outcome for Redflex shareholders.

Details of the Proposal

Under the terms of the Scheme, Redflex shareholders will receive A\$2.70 cash per share where the AUD:USD exchange rate at the relevant payment date is within the range of 0.98 – 1.02. If the spot exchange rate at the relevant payment date is less than 0.98 you will receive more than A\$2.70 and if it is greater than 1.02 you will receive less than A\$2.70. See the table below for examples of the per share consideration that you would receive under different exchange rate scenarios, with further information on the consideration structure to be provided in the Explanatory Booklet.

	Consideration Fixed at A\$2.70													
Exchange Rate (AUD:USD)	0.94	0.95	0.96	0.97	0.98	0.99	1.00	1.01	1.02	1.03	1.04	1.05	1.06	
Scheme Consideration (A\$)	2.81	2.79	2.76	2.73	2.70	2.70	2.70	2.70	2.70	2.67	2.65	2.62	2.60	

The price of A\$2.70 per share represents a premium of 76% in AUD terms and 116% in US dollar terms to Redflex’s closing share price of A\$1.535 on 4 June 2010, the last trading day prior to speculation in relation to Macquarie’s indicative, non-binding and confidential proposal of A\$2.50 per share announced on 9 June 2010.

Furthermore, in US dollar terms, the current proposal from the Consortium compares favourably to previously announced indicative, non-binding proposals for Redflex. This is particularly relevant given that approximately 75% of Redflex’s group revenue is generated in the United States. Specifically, in February 2009 Redflex announced that indicative proposals of around A\$3.50 per share had been received, which at the prevailing AUD:USD exchange rate of 0.6443 implied a price of US\$2.255 per share. In US dollar terms, the current proposal from the Consortium is approximately 20% higher than this.

Board Recommendation

The Redflex Board unanimously recommends that Redflex shareholders vote in favour of the Scheme at the Scheme meeting, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Redflex shareholders. Subject to those same qualifications, each Redflex director intends to vote all the Redflex shares held or controlled by them in favour of the Scheme.



Redflex Shareholder Vote


An Explanatory Booklet containing full details of the Scheme proposal, the reasons for the Redflex Directors' unanimous recommendation, a copy of the independent expert's report and a notice convening the Scheme meeting is expected to be sent to Redflex shareholders in April.

Redflex has appointed Lonergan Edwards to prepare the independent expert's report.

The Scheme meeting is expected to be held in May, at which shareholders will have the opportunity to vote on the proposal. Subject to the approval of the Scheme by shareholders and the court and the timely satisfaction (or waiver) of conditions, Redflex expects the transaction to complete by June.

The company will keep shareholders informed of any important developments. I would like to thank you for your continued support of Redflex.

Yours sincerely



Max Findlay
Chairman