

Release to Australian Securities Exchange

9 May 2014

Market Update

At the Annual General Meeting (“AGM”) of Redflex Holdings Limited (“Redflex” or the “Company”) in November 2013 the Board announced, and subsequently reaffirmed with the release of the Company’s half-year results for this financial year, its commitment to undertake a comprehensive review of the Company’s strategy and existing operations.

To facilitate this review, Redflex engaged L.E.K., a global consulting firm, to assist with a thorough evaluation of strategic growth options, together with an assessment of the expected growth rates and expansion opportunities in the Company’s core photo enforcement business. This review is substantially complete.

Redflex would like to take this opportunity to brief shareholders on the outcomes of this review and other aspects of the business.

Strategic Roadmap

The Company intends to pursue organic and inorganic growth opportunities in adjacent Intelligent Transportation Systems (“ITS”) market segments while continuing to build upon its leading market position in photo enforcement. Certain ITS market segments identified by the Company demonstrate attractive growth profiles, unmet market demand and needs, and a high level of market fragmentation.

In pursuing growth in adjacent ITS markets, Redflex will seek to leverage its existing global platform, existing technology capabilities, and knowledge of municipal and government contract management, violation processing systems, electronic signalling, and traffic flow monitoring.

Redflex has engaged global investment bank Canaccord Genuity Corp. to assist the Company with the identification of strategic opportunities.

CEO Search

The Board has engaged a leading recruitment firm to assist in the search for a global Group Chief Executive Officer. This process is well-advanced and the Board is pleased with the skills and experience of the candidates interviewed to date.

The Board anticipates being in a position to announce the appointment of a CEO in the near term.

Business Update

Within the half-year results release for this financial year, the Company indicated that it expected the results for the second half of this financial year to be break-even at best on a profit before tax basis. The Company now expects a loss before tax of between \$7 and \$9 million for the second half of this financial year, with positive EBITDA of \$5 to \$7 million for that period. This translates to a full-year loss before tax of \$2 to \$4 million and positive EBITDA of \$25 to \$27 million.

Conditions within the USA market continue to be difficult, and Redflex is currently experiencing a higher than normal number of cities choosing not to renew their programs (no intersections have been lost to competitors, cities have simply decided not to continue with enforcement programs). The resultant reduction in cameras and

associated asset write-downs, together with a lack of new installations, has negatively impacted our USA revenue base and profitability.

The transition of the Chicago program was also finalised in February, resulting in reduced revenue going forward.

During the second half of this financial year, Redflex will incur non-recurring costs of approximately \$2.3 million relating to the above-mentioned strategy work, the engagement of Canaccord Genuity Corp., the Group CEO search, and the ongoing follow-up actions arising from the findings of our internal investigation.

Additionally, there was an extraordinarily adverse weather period in the USA that significantly reduced traffic volumes and traffic violations for an extended period of time.

All of the above factors have had a negative impact on our 2014 financial results.

The results release for the first six months of this financial year also stated that the Company is monitoring the performance of the Student Guardian business. Revenue generation has been below expectations since the acquisition of that business in May 2012 and Goodwill with a carrying value of approximately \$4 million remains. The Board feels it is still premature to decide on the longer-term viability of this business unit. Should the key indicators not support the business case, then further impairment of the value of the Goodwill will need to be considered.

Realignment of Cost Structure

The Board and management have undertaken a review of the Company's operations with the aim of focusing resources on customer support, priority growth opportunities and addressing the current cost structure which is no longer appropriate for the existing business model. As a result of realignment and efficiency actions, the Company expects to significantly reduce annualised cash costs (operating and capitalised) in the order of \$5 million.

These actions are designed to improve the financial performance of the Company, while at the same time reallocating resources to optimise future results. The Board continues to evaluate how to most efficiently steward both operating and capital expenditures.

Other Updates

Redflex has recently received an order for \$3.9 million for the supply of equipment in relation to highway enforcement systems in the UK with the majority of the order to be filled during the next financial year. The contract is also likely to produce ongoing maintenance revenue for the Company for a period of 10 years after commissioning. This is an important order for building the business in the UK.

At 31 March 2014, the Company had approximately \$3.9 million of net debt within a \$77 million (US\$70 million) line of credit. Discussions are under way to refresh this credit line which matures during this calendar year, although no decision has been made and no assurance can be given regarding the size or duration of such renewal.

As a result of the above-mentioned cost structure adjustments and the strength of the Company's Balance Sheet, together with its current ability to access its existing credit lines, the Board believes that the Company is well-positioned to execute on its strategy going forward. In addition, cash flow from operations is expected to be sufficient to fund all capital requirements, and the Company has sufficient headroom in cash reserves to fund bank repayments.

Board Composition

To build the strength of its Board, the Company has added four new non-executive directors (“NEDs”) since the 2013 AGM: Paul Clark, John Murphy, Herman Schwarz, and Adam Gray, who has since assumed the role of chairman. Each new NED brings significant business, strategic, financial and operational experience to assist Redflex in its commitment to drive long-term value creation.

In Summary

In summary, the Board and management are taking aggressive action to move the Company forward.

While the Company is clearly in a transition period, the Board has completed significant work over the last six months to position Redflex to enter the next financial year with a clearly defined growth strategy in existing and adjacent markets, a new world class CEO, a leaner cost structure more appropriate for the business, and a highly engaged and committed Board.

We will continue to update investors, as appropriate, on the Company's progress.

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About Redflex

Redflex Traffic Systems Pty Ltd manufactures and supplies traffic cameras and processing systems to world-wide markets. Redflex is the market leader in Australia and has either won or is developing significant opportunities in the Middle East, Asia, Africa, and Europe.

Redflex Traffic Systems Inc. has contracts with more than 200 U.S. cities, and is a market-leading provider of digital red light and speed enforcement services in North America.

About LEK

L.E.K. Consulting is a global strategy consulting firm that uses deep industry expertise and analytical rigor to advise and support leading global companies including the largest private and public sector organisations, private equity firms and emerging entrepreneurial businesses.

Founded over 30 years ago, L.E.K. employs more than 1,000 professionals in 22 offices across Asia-Pacific, Europe and the Americas.

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