



Release to Australian Securities Exchange

Chairman's Letter

29 May 2009

Please see attached letter to Shareholders from the Chairman, Christopher Cooper.

For further information:

Graham Davie
Chief Executive Officer
Redflex Holdings Limited
graham.davie@redflex.com.au
+61 3 9674 1715



Redflex Holdings Limited

ACN 069 306 216
31 Market Street (PO Box 720)
South Melbourne Vic Aust. 3205
Tel: +61 3 9674 1715
Fax: +61 3 9699 3566
www.redflex.com.au

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Dear Shareholder,

Over the period since our last AGM in November 2008, Redflex has issued several media releases providing information on

- Expressions of interest received by the Board concerning the ownership of the Company;
- The financial outlook for the current financial year; and
- Various operational issues and developments.

I want to provide you with an update as to the status of these matters in the light of some recent developments. It is also opportune for me to provide you with some more general observations concerning the Company's business given the current global financial crisis.

Arizona Tragedy

In April, Redflex informed the market of the tragic fatal shooting of Redflex' employee, Douglas Georgianni, whilst carrying out his duties on the Loop 101 Freeway in Phoenix, Arizona. As noted at the time, Redflex conveyed the sympathy and support of all the Redflex community to Douglas's family and invoked appropriate counselling support for affected Redflex staff.

Thanks to some outstanding police work by the Phoenix Police Department and the Arizona Department of Public Safety following the incident, a suspect was promptly apprehended and appropriate charges have now been laid.

In immediate response to the fatal shooting, all mobile photo enforcement vehicles within the USA operated by Redflex personnel were removed from service as Phoenix Police Department and the Arizona Department of Public Safety (DPS) investigated the incident. Since that time, Redflex has engaged in very constructive discussions with the Arizona authorities. These discussions have reinforced that Arizona maintains a strong commitment to photo enforcement as an essential tool in its program to reduce the sad toll of death and injury on Arizona roads. The mobile photo enforcement vehicles are now being reintroduced into service.

Redflex Financial Performance

Redflex' financial performance in the Arizona state wide program has not met original expectations due to: the removal of mobile enforcement vehicles as mentioned above; the hold on the anticipated rollout of 24 additional fixed camera systems; and technical issues causing delays in receiving information from the various courts in the state. As noted, these matters are being actively and co-operatively pursued by Redflex, Arizona DPS and the courts and we are confident that the prudent solutions we are implementing will be successful.

Redflex has previously indicated to the market that it forecast a 40% growth in pre-tax profit in the 2009 financial year over 2008; the indication stated that this was subject to the Arizona state wide program meeting expectations, exchange rate and any write-down which may occur. As noted above, although the medium to longer term prospects for the Arizona program appear to be very good, the program will not meet original expectations this year. Also, the Australian dollar has firmed against the US dollar in recent times, although exchange rates obviously remain volatile.

In consequence, whilst forecasting in this current financial environment remains very difficult, Redflex expects that pre-tax profit for FY2009 will be around 10% lower than for FY2008.

Strategic Direction and Outlook for 2010 FY

Redflex maintains its strong focus on the US and Australian markets whilst also vigorously pursuing other international opportunities. In particular, Redflex maintains its target growth in installed base of traffic cameras at an average of 25% per year for the next 5 years, underpinning its number one market position globally.

Internationally (excluding USA), Redflex continues to seek out attractive opportunities as illustrated by the recent contract to supply an additional 24 red-light cameras for Qatar.

In the US, Redflex continues to be well positioned financially and strategically to continue its camera roll-out program under the attractive build-own-operate model (BOOM). This is illustrated by the fact that, over the last three months, Redflex has been awarded BOOM contracts in:

- Middletown, Ohio: up to 24 red-light systems
- Huntington Beach, California: 20 red-light systems
- San Rafael, California: 10 red-light systems
- Fairfax, Virginia: 10 red-light systems
- League City, Texas: 40 red-light systems
- Santa Fe, New Mexico: up to 20 fixed speed and fixed combination speed and red-light systems, and up to 4 mobile systems
- Edison, New Jersey: up to 75 red-light systems
- Highland Park, Illinois: up to 20 red-light systems
- Newport News, Virginia: up to 18 red-light systems
- Sherwood, Oregon: up to 12 red-light systems

Increase in Banking Facility

I am pleased to announce that Redflex has now received commitments from Australian banks to put in place a new and increased secured banking facility.

The facility, for up to US\$100 million, an increase from the current US\$65 million facility, is being arranged with a banking syndicate led by Commonwealth Bank of Australia, and involving two other major Australian trading banks.

The facility will include:

- a three year term;
- a competitive margin with the initial cost of funds at approximately 6% per year; and
- covenants generally consistent with the previous facility.

It remains subject to completion of final documentation and a number of conditions precedent.

The increased facility, provided by Australia's leading financial institutions, constitutes a strong external endorsement of the Company's business model. The banking facility will enable Board and

management to pursue aggressive growth targets which they have outlined to shareholders, capturing comfortable cash buffer for years to come.

Update on Process concerning Indicative Proposals Received

As shareholders have previously been informed, Redflex has received approaches from several parties expressing interest in acquiring 100% of the issued capital of the Company. Also as previously noted, these approaches were all non-binding, indicative and incomplete and subject to numerous conditions, including due diligence and financing approvals.

Since the last update on this process provided to the market on 4 February 2009, the Board has conducted an extensive evaluation process managed by Gresham Advisory Partners Limited and the Company's lawyers, Baker & McKenzie, designed to provide (subject to an appropriate confidentiality and process regime) interested parties with the information necessary for them to put forward firm proposals for consideration by shareholders. The process has involved a number of parties receiving access to financial and business information for due diligence purposes, supplemented by meetings with Redflex management.

Redflex advises that this process has not resulted in any party putting forward a proposal which could be put to shareholders for consideration. Whilst a number of these parties continue to indicate a strong interest in the Company, they have also indicated that they are unable to progress that interest at the present time and do not expect this position to change for the reasonably foreseeable future, due primarily to the volatile and challenging financial environment.

Whilst the Board maintains a constructive relationship with these parties, it has decided to terminate its evaluation process thus allowing management to focus 100% of its energy on running the business and on the development and delivery of the strategy to deliver value for all its shareholders. Of course, if there is a material change in this position, we will ensure that shareholders are kept appropriately informed.

Redflex Board

I am pleased to inform shareholders that Mr Ron Langley has accepted an invitation to join the Board of Redflex. Mr Langley is a very experienced director having sat on the boards of more than 20 listed companies around the world including companies listed on the New York Stock Exchange, NASDAQ, Zurich Stock Exchange, Hong Kong Stock Exchange, the Toronto Stock Exchange and ASX. He is well-versed on corporate governance issues and has been on all of the various vital committees such as audit, nominating, compensation and special M & A teams. He also brings to Redflex a USA perspective and a Sydney base.

Ron was born in Australia and graduated in Commerce from NSW University. He has spent the last 25 years in the USA, initially running an international subsidiary of Brierley Investments Limited in North America and subsequently was Executive Chairman of PICO Holdings, Inc, a very successful insurance, water rights and property company with significant strategic investments in the US, Switzerland, Australia and New Zealand. He retired from active executive and Chair duties on 31 December, 2007 but continues to travel regularly to the US.

Ron has been working alongside the Board in a consultant capacity for some time now and his acumen, knowledge and insight have been of great benefit to Redflex, and will doubtless continue to be.

I very much look forward to the contribution Ron will make to help build Redflex' future for the benefit of all shareholders. In accordance with normal procedures, Ron will retire from the Board at the next annual general meeting and present himself to shareholders for election.

Resignation of Mr Rob Debernardi as Non-executive Director

I regret to advise that Rob Debernardi has tendered his resignation as a non-executive director effective from 30 June 2009. Rob has served the company as a director and as Chairman of the Remuneration committee for nearly seven years and has made a substantial contribution to the governance of the company for the benefit of all shareholders. The Board has appreciated his commitment, dedication and hard work over the years of his service.

I take this opportunity to thank Rob for his efforts over the years and wish him every success in his future endeavours.

Yours truly,

A handwritten signature in black ink, appearing to read 'Chris Cooper', with a horizontal line underneath.

Chris Cooper
Chairman