



REDFLEX
HOLDINGS

Redflex Holdings Limited

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Release to Australian Stock Exchange

Executive Options

13 October 2003. The Company notified the Australian Stock Exchange on 26 September 2003 that the Board had proposed to grant options to key executives and directors.

As a result of adverse comment from a number of larger shareholders, the directors have decided to reconsider a part of the total proposal. The directors now do not intend participating in this option plan and therefore the following grant of options will not be pursued:

- 900,000 options over ordinary shares in the Company to the executive director, Mr Graham Davie; and
- 210,000 options over ordinary shares to each of the non-executive directors, Mr Chris Cooper and Mr Robin Debernardi – a total of 420,000 options.

However, the board will honour its commitment to key senior executives and stands by its decision that appropriately took into account the following factors:

- The agreement to grant 1,800,000 options at an exercise price of \$0.50 to Mr. Bruce Higgins, the CEO of Redflex Traffic Systems Inc, was renegotiated from an earlier agreement reached by the previous board in the context of the MPI funding transaction. That agreement was to have resulted in 4% of the equity in the Redflex Traffic business being granted to Mr Higgins as stock options. The current directors felt that any dilution in the equity in the subsidiary was not in the best interests of shareholders and sought an alternative agreement.
- The \$0.50 strike price applying to these options was based on the market price at the earlier date of the move of Mr Higgins to the USA.
- There are no hurdles applying to these options. This was in line with the earlier agreement.
- Offers had also been made to other key Traffic executives during the MPI transaction negotiations dating back to October 2002 for 0.9% each of equity in the Redflex Traffic business.
- A number of other executives in the Redflex Group have had commitments in their employment agreements entitling them to participation in long term incentive arrangements outstanding for as long as two years.
- It is important that all executives are dealt with fairly and equitably especially in respect of meeting commitments and undertakings entered into by the previous board.
- The exercise price of \$0.58 for the remaining options was set at the market price on the base date of 30 June 2003, in view of the following: commitments were in place that significantly predated that base date; the desire of the board not to disadvantage executives substantially relative to the terms of the

Higgins agreement; that consideration of the employee options by the board took place over the period May-August 2003 when the market price was consistent with the exercise price; and that it has been common practice to make remuneration adjustments effective from the start of a financial year.

- The basis of the issue price of the options is consistent with the shareholder approved employee option plan in place.

The board recognizes the contribution of staff to the recent increase in the share price that has benefited all shareholders. No employee options have been issued for the past three years.

Shareholders should note that Mr Cooper and Mr Debernardi have not received any director entitlements since being appointed to the Board in August 2002.

For further information:

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