

11 February 2013

Update in relation to City of Chicago and earnings guidance

Further to Redflex's previous announcements in relation to the company's business dealings in the City of Chicago, the company now advises that:

Redflex continues to cooperate fully with the City of Chicago Inspector General's Office in its investigation into the company's business dealings. As previously announced, Redflex has retained the law firm Sidley Austin to provide the necessary support for Redflex's participation in the investigative process;

- Sidley Austin has also been retained to conduct an independent internal investigation with a broad scope, under the direction of the Audit and Risk Management Committee of the Board of Directors. This investigation remains ongoing, with a final report to be provided to the Redflex Board once completed;
- On 8 February, Redflex received notification from the City of Chicago's Department of Procurement Services that it will "not be considered a responsible vendor for the new RFP for red light cameras that the City intends to issue in the near future."
- The decision made by the Department of Procurement Services follows recent media coverage in The Chicago Tribune in which a number of claims have been made regarding the interim findings of Redflex's independent internal investigation.

Redflex Holdings CEO Robert DeVincenzi has been quoted by the Chicago Tribune saying "Although the investigation is not over, we learned that some Redflex employees did not meet our own code of conduct and the standards that the people of the City of Chicago deserve. We are sharing information with law enforcement authorities, will take corrective action and I will do everything in my power to regain the trust of the Chicago community.";

- Following a recent contract extension, Redflex's existing red light camera contracts with the City of Chicago are scheduled to run until July 2013;
- In the 2012 financial year, the Chicago contracts contributed 13% of Redflex's Group revenue;
- The company continues to incur considerable legal and related expenses in support of the processes underway in relation to Chicago. These expenses have been materially higher than was envisaged when profit guidance was provided to investors at the company's Annual General Meeting in November 2012. Primarily, as a result of increased costs, Net Profit Before Tax for the December half is now expected to be in the range \$5.5 – 6.0 million. Due to uncertainty surrounding ongoing costs of the Chicago processes and related matters, together with a multi-month delay in the rollout of a significant Malaysian contract, it is not possible to provide guidance in relation to the full year result at this time.

Redflex will continue to update the market in relation to the matters addressed in this release.

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