

27 August 2014

ASX ANNOUNCEMENT

Results announcement for the 12 months to June 2014

Highlights

- Net profit before tax of \$2,457,588 for the 12 months to 30 June 2014 ('FY2014'):
 - In line with guidance provided on 17 July 2014, and
 - Significantly higher than the loss before tax of \$893,308 for the 12 months to 30 June 2013 ('FY2013').
- Operating revenue of \$11,037,613, a 44% increase from FY2013 driven by:
 - 73% increase in international sales from our master distributor, SafeNet Inc. ('SafeNet'), and
 - 140% increase in maintenance income.
- Gross margin of 84% (FY2013: 83%) and pre-tax profit margin of 20% (FY2013: n/a).
- Non-operating income of \$1,440,225 associated with a tax refund of eligible research and development expenditure.
- Net assets of \$9,026,184, a 40% increase from FY2013.
- The Company continues to be debt free and has cash on hand at year-end of \$6,805,362, a 66% increase from FY2013 reflecting a strong improvement in operating cash flows.

Senetas Corporation Limited (ASX: SEN), a leading developer and manufacturer of certified, defence-grade data encryption solutions, announced a profit before tax of \$2,457,588 for the year ended 30 June 2014.

The profit before tax represents a \$3,350,896 increase from the loss before tax of \$893,308 in FY2013. This result is the Company's first full year profit in four years and its highest annual profit in eight years.

Total operating revenue increased by 44% to \$11,037,613 compared to \$7,684,559 in FY2013. The revenue growth was driven by a 61% increase in sales in the United States and a 71% increase in sales in Europe.

The Company's cash position increased by 66% to \$6,805,362 reflecting strong operating cash flows, primarily driven by higher sales and strong cost management during the year.





Strong operating cash flows, strong working capital management and higher cash balances resulted in a year end net asset position of \$9,026,184, a 40% increase from FY2013.

The operating turnaround, strategic repositioning and substantially improved financial position achieved in FY2014 reflects the benefits of the Company's recapitalisation and strategic review implemented in 2012. The key strategic initiatives contributing to the performance improvement include:

- New international master distributor agreement and a strong relationship with SafeNet, including a disciplined focus on sales and marketing collaboration as well as close technical cooperation and product development support; and
- Strong commitment to and investment in continuing product research and development, including the introduction of encryptor models targeting new market opportunities.

The Company is expected to continue to deliver strong financial results in 2015.

SafeNet Distribution Relationship

SafeNet's reach extends across approximately 100 countries, 25,000 customers and includes some of the world's best known blue-chip customers. Senetas's range of certified encryptors is well positioned in SafeNet's overall customer value proposition and strong international market positioning.

In January 2014, SafeNet launched the complete range of Senetas's encryptors internationally. The products were presented to SafeNet's international sales force and channel partner network. Following enthusiastic feedback the new products were rapidly integrated into SafeNet's portfolio.

SafeNet has assigned dedicated sales and technical employees to the product development, management and marketing of Senetas's high-speed encryption products. Both companies work closely to identify sales opportunities with the pipeline of potential sales almost doubling over the past two years. The companies' collaboration is extremely broad, including:

- Extensive technical and sales training of SafeNet's 200 plus strong international sales force;
- Development of thought leadership collateral utilised in publications, communications and events; and
- Direct support by Senetas of SafeNet sales efforts for the largest and most complex customer opportunities.

Market Focus

Senetas markets its products based on key central core value propositions of 'performance', 'assurance' and 'simplicity' which continues to provide strong product differentiation. Utilising this vital central marketing proposition, which in collaboration with SafeNet and various Australian channel partners, Senetas continues to identify key market opportunities where the Company's security solutions can be best utilized.

The Company is targeting new potentially significant growth segments through the commercial and industrial enterprise sectors. Opportunities in this sector are driven by, among other things:

- The need for high speed data networks to cope with the demands of Cloud Computing and the aggregation of enormous volumes of data in large data centre environments; and



- Increasing awareness of the sensitivity of information (financial and intellectual property) due to strengthening global privacy regulations and the increasing incidents of cyber security threats.

In FY2014, the Company completed various successful sales initiatives into the commercial sector. For example, two multinational cloud services providers selected and purchased Senetas's encryptors following rigorous testing and evaluations, and the customers' technical teams continue to be enthusiastic about Senetas's products.

This market focus is contributing to an increased pipeline of exciting opportunities for FY2015.

Product Research and Development

Senetas continues to be a global leader in the development of independently tested and certified high-speed network data encryptors which provide 'defence-grade' protection of information transmitted across Layer 2 data networks.

The Company's commitment to maintaining these independent international certifications provides its customers with the assurance that its products conform to high security standards. The Company's current product certifications include:

- Federal Information Processing Standard (FIPS) United States
- Common Criteria (international and Australia)
- CAPS (United Kingdom)

Senetas expects that its products will shortly complete and be awarded its NATO Certification, making it the fourth international product certification, which is unprecedented amongst other Layer 2 encryption companies globally and which we expect will further enhance our competitive advantage.

Research and development remains a core activity and driver of our long-term growth. The Company invests approximately 35% of revenue annually in these activities.

In FY2014 Senetas enhanced its latest encryptor CN6000 platform range of encryptors with the introduction of the CN6010 encryptor, providing larger customers (government and commercial) with an attractive 'entry-point' to this grade of certified encryptors.

The year also saw the Company leverage its technology to provide SMEs (small to medium enterprises) with a cost effective 'entry-level' encryptor for more modest network data requirements – the CN4010. The CN4010 also provides Senetas's larger commercial and government customers with the ability to cost effectively implement 'encrypt everywhere' information security strategies.

Senetas has a robust pipeline of new and exciting products that are aimed at expanding existing markets as well as accessing new service and geographic markets for its products. It continues work to develop a 100G ethernet encryptor and to develop a custom encryption algorithm capability following enquiries from customers in Asia, Eastern Europe and the Middle East.

Recent Developments

On 8 August 2014, Gemalto NV ('Gemalto') – a digital security company listed on the Euronext stock exchange – announced that it had entered into an agreement to acquire SafeNet. The transaction is expected to complete in or around November 2014.

- Gemalto is a substantial global organisation, with annual sales in 2013 of approximately



US\$3 billion and assets of over US\$4 billion

- Early indications suggest that SafeNet will operate as a wholly owned subsidiary of Gemalto. Senetas should benefit from Gemalto's presence in 45 countries and commercial enterprise sector focus.
- SafeNet's product portfolio (including high-speed encryption supplied by Senetas) is complimentary to Gemalto's portfolio and market positioning. Gemalto has indicated the importance of its focus on encryption of both stored data and network transmitted data; and
- In its public announcement, Gemalto stated:

"The opportunity to acquire SafeNet has come at exactly the right time," Gemalto Chief Executive Olivier Piou said. "This will enable us to further accelerate the deployment of strong security solutions in the enterprise sector and expand our technologies and growth opportunities in protecting online access."

This is a particularly exciting combination of two successful large international companies in the digital security space and should significantly expand Senetas' access to and development of security segment opportunities. Security is at the heart of a new unfolding technology-enhanced world and Senetas is in many ways uniquely positioned with its partners to play an increasingly important role in this development.

Outlook for FY2015

Senetas is aggressively targeting further profitable growth opportunities in FY2015 as the Company focuses on the following key strategic objectives.

- Growth in SafeNet's international markets' performance;
- Extended collaboration with SafeNet in marketing and sales planning in all markets;
- Targeting the Asian market as a priority opportunity for sales growth;
- Introduce new and innovative marketing plan initiatives to address international and domestic markets – targeting organisations, decision makers, service providers and influencers;
- Maintain a strong commitment to research and development and the introduction of new products and features; and
- Maintain and enhance our international security certifications.

Further information about Senetas can be found at www.senetas.com.

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About Senetas Corporation Limited

Senetas is an Australian public listed company (ASX: SEN), specialising in certified, high-speed data encryption hardware – protecting network transmitted data whilst retaining maximum network performance.

Senetas certified encryptors are the world's only triple-certified products of their type - Common Criteria (international), FIPS (US) and CAPS (UK) certification - for government and defence use and protect much of the world's most sensitive data.



Senetas encryptors secure: government information and secrets; defence and military information; commercially sensitive intellectual property, business and financial data; banking transactions; data centre traffic; CCTV networks; and critical industrial and infrastructure control systems.

Senetas uniquely designs, develops and manufactures in Australia. Senetas encryptors have leading performance characteristics and are trusted to protect network transmitted data in more than 20 countries.

These customers include highly sensitive organisations such as the US defence forces, Swiss banks and global financial transactions systems.

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