



SENETAS CORPORATION LIMITED

2015 INTERIM RESULTS

25 February 2015

AGENDA

- ❑ **1H15 – a pivotal six months**
- ❑ **Strong growth across all key financial metrics**
- ❑ **Leveraging foundations now in place to drive continued growth**

1H15 – a pivotal six months

H1 FY15 HIGHLIGHTS

Profitable

- Net profit before tax up over 9x to \$2.82m for 1H2015
- Operating revenue increased 68% to \$8.12m

Sustainable

- Consolidation of master distributor relationship with SafeNet
- Ongoing development of Senetas's proprietary R&D and certified encryptor roadmap driving future opportunities
- Cash flow positive
- Strategy to deliver growth

Strong Balance Sheet

- Net assets of \$10.98m at 31 December 2014
- Cash balance of \$10.00m at 31 December 2014 (24/02 at \$12m)

Strong growth across all key financial metrics

HY15 FINANCIAL OVERVIEW

	1H2015 \$000's	1H2014 \$000's	Change 1H14 v 1H15	
Revenue from ordinary activities	8,119	4,828	68%	↑
Profit from ordinary activities before tax	2,820	306	9x	↑
Net profit after tax	1,944	441	4x	↑

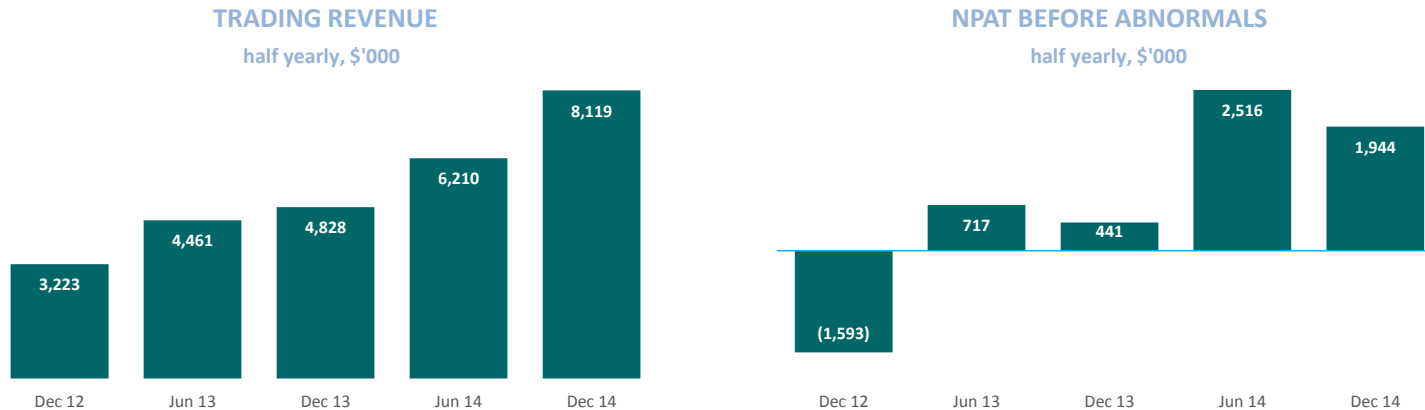
❑ Benefits from restructured business:

- Non-core business units sold or wound down
- Refocusing the business on data encryption opportunities in key targeted geographies
- Renewing and re-invigorating relationship with our key distributor

❑ Revenue increase driven by 59% growth in product sales and 97% growth in maintenance services

❑ Net profit of \$1.94m with continued expense discipline

SUSTAINABLE GROWTH



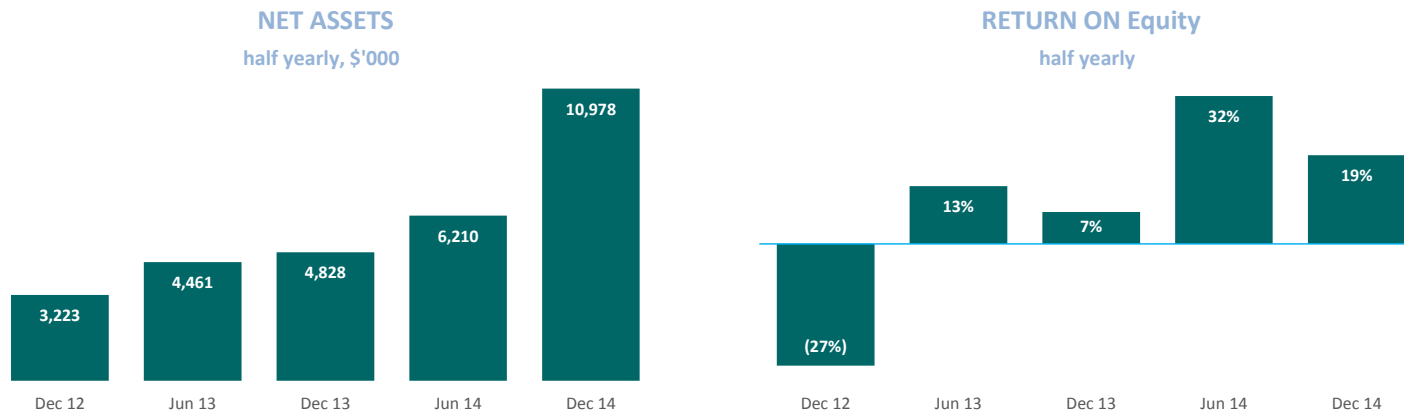
☐ Revenues growing

- Building sustainable growth in revenue from both product sales and maintenance contracts
- Very strong December 2014 sales result from SafeNet

☐ Operations now profitable

- Improved focus on core business, sales and marketing execution and new product development has translated into four consecutive half years of profit

RETURNS ON INVESTMENT



- ❑ **Improved profitability driving growth in shareholder equity**
 - Net assets have increased 21.6% to \$10.98m
- ❑ **Attractive return on assets**
 - Capacity to increase returns from existing asset backing

STRONG OPERATING CASH FLOWS

	1H2015 \$000's	1H2014 \$000's	Change 1H14 v 1H15	
Operating cash flows	3,573	914	4x	↑
R&D tax concession	1,447	1,359	6%	↑
Investing cash flows	(363)	(60)	6x	↓

❑ Operating cash flows growing and positive

- Continued discipline with costs while growing core revenues
- Business growth now self sustaining

❑ Favourable environment for R&D supporting the future development of technologically advanced encryptors

BALANCE SHEET SUPPORTS GROWTH

	1H2015 \$000's	1H2014 \$000's	Change 1H14 v 1H15	
Cash and cash equivalents	10,096	6,805	48%	↑
Trade and other receivables	4,409	5,483	20%	↓
Total Liabilities	(6,037)	(6,144)	2%	↑

- ❑ Cash position of \$10.00m, (24/02 at \$12m)
 - Provides corporate flexibility
 - Reflects rapid return to profitability and sustained cash flow generation
- ❑ Trade and receivables declined
 - Improved management of overseas inventory with SafeNet
- ❑ Liabilities remained stable despite significant business growth

**Leveraging foundations now in place
to drive continued growth**

1H2015 OPERATIONAL OVERVIEW

Sales of encryptors remain the key revenue driver

- 68% of revenue in 1H2015
- Maintenance fees are an important growing and stable source of revenue

Sales Channels

- SafeNet is master distributor for all countries outside Australia & NZ
- Domestically Senetas partners with 6 accredited distributors
- Partners invest in network data technical training and customer needs analysis

Growth avenues

- Organic growth following increasing incidents of cyber security threats and demands from increased data transmission
- New product launches
- Improved channel partner relationships and new technology partners

1H2015 OPERATIONAL OVERVIEW

Continuing focus on product certifications

- NATO information security product certification received in October 2014

Research and development

- Specific Market and Custom Algorithm encryptors
- 100Gbps development well advanced
- CN6140 multi-port encryptor with encryption capability up to 10Gbps – under development;
- Exciting prospects with Technology Vendors specialising in Layer 2 Networking and CCTV Technologies

Product advancement

- CN4010 entry level encryptor
- CN6010 cost reduced 1 Gb
- CN8000 multi-slot – Trialling with Customers

THE SAFENET RELATIONSHIP

SafeNet is a key strategic partner

- This relationship remains strong and mutually beneficial
- Contract automatically renews annually
- During the half Sentas conducted training in product capabilities and selling points with SafeNet staff

Benefits From Gemalto NV Acquisition of SafeNet

- In August Gemalto NV ('Gemalto') – a digital security company listed on Euronext stock exchange – announced the acquisition of SafeNet
- It is expected that Senetas will 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

SECURE MARKET POSITION

Unique technology

- Global leader in certified high speed network encryption technology
- World leading proprietary R&D and product engineering capabilities
- New products targeted to meet customers changing requirements
- Sophisticated, high speed, scalable, low latency with plug-and-play ease-of-use

Trusted provider to growing customer base

- Senetas security encryption has had no reported breaches
- High penetration of complimentary equipment maintenance contracts

Certification – encryption without compromise

- NATO information security product certification
- Common Criteria EAL4+ certification
- US FIPS certification
- UK CAPS (CESG Assisted Products Service) certification

5 KEY GROWTH DRIVERS

1. Accelerate growth in key high speed encryptor (HSE) markets in partnership with Gemalto / SafeNet to leverage their increased sales and marketing footprint
2. Develop new opportunities in low HSE penetration markets such as India, Japan, Singapore, South America, Eastern Europe, France, Germany and Italy by working closely with Gemalto / SafeNet
3. New faster and 'high-density' products – market-leading encryptors that reflect emerging customer security needs – faster 100Gbps and 'high-density' (multi-port) platforms
4. New custom algorithm projects leveraging Senetas's unique electronics engineering capabilities and products – custom software toolkit to address unique requirements for other customers
5. New technology partnerships to expand the reach and capabilities of Senetas products – an agreement signed with Avaya in January 2015 will provide access to Avaya 'Fabric Connect' network technology and its large customers around the world

SUMMARY AND OUTLOOK

- ❑ **Strong results reflect the successful implementation of the company's plan for growth since its restructure in 2012**
- ❑ **Strong cash flow with positive trend established**
- ❑ **Delivering growth with strong balance sheet to support further growth initiatives**
- ❑ **Positive sector thematics**
 - Exponential growth in global data usage
 - Continually increasing focus on both data security and network efficiency
 - Major markets move from “Cyber-Security” to “Cyber-terrorism”
- ❑ **Based on operating performance in the financial year to date Senetas expects that revenue and profit growth for the full year to 30 June 2015 will significantly exceed the prior year although the rate of growth in 2H2015 may moderate from that achieved in 1H2015.**

APPENDICES

ABOUT SENETAS

❑ **Developer and manufacturer of multi-certified high-speed network data encryption hardware**

❑ **Developing encryptors since 1997**

❑ **Senetas encryptors:**

- only products of their type certified by all four leading international certification authorities
- designed, developed and manufactured in Australia
- used by governments, businesses and cloud and data centre service providers in more than 30 countries
- often the first choice of governments and defence forces
- uncompromised network performance

❑ **Pushes the boundaries in encryptor technologies**

- IP rich company holding in excess of X patents for its unique technologies
- R&D is a key component to Senetas' edge and invests approximately [35]% of revenue into these activities
- won the 2014 Victorian iAwards for certified encryption solutions
- current R&D plans for 100Gbps ultra-high-speed Ethernet encryptor to meet the next generation bandwidth speed requirements

ADVANTAGES

UNIQUE ADVANTAGES OF SENETAS' HIGH-SPEED ENCRYPTORS

THE **HIGHEST** PERFORMANCE AND LOWEST LATENCY

- Market-leading performance capabilities “designed-in” platform.
- Near-zero latency - high-performance, Flexibility - on-going operational simplicity, such as in-field upgradability.

Benefit: Maximize your bandwidth at the lowest cost especially at speeds >10Gbps.

THE **MOST** TRUSTED SOLUTION

- Trusted assurance – Including the world’s only quadruple-certified products - FIPS, CAPS and Common Criteria and NATO;
- Reliability - dependable 99.999% uptime;
- Key management – hardware-based, certified security even in multitenant environs.

Benefit: Enable your organisation to transfer data securely

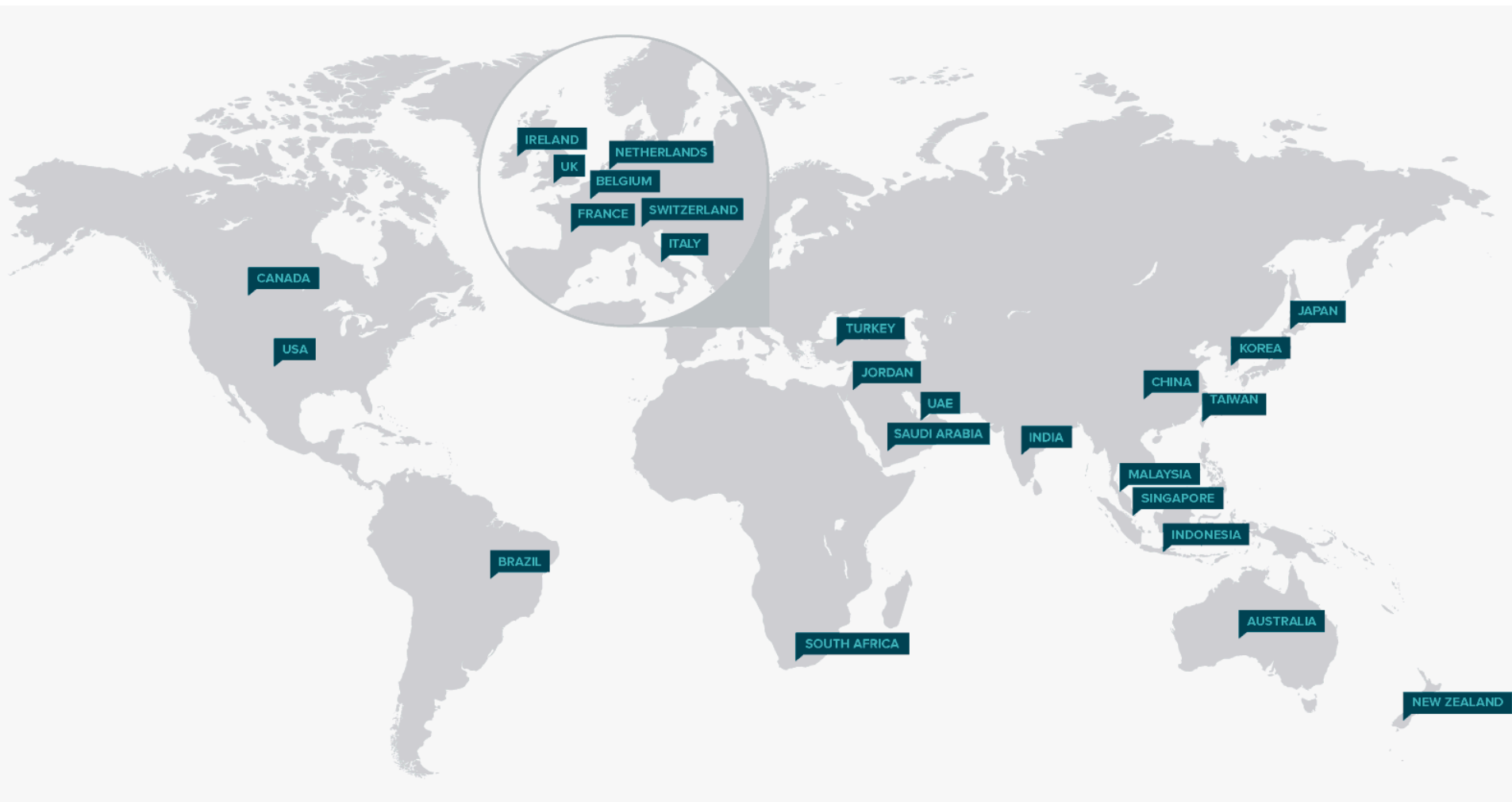
THE **EASIEST** TO MANAGE

- Comprehensive range - widest feature-set, scalable from 10Mbps to 10Gbps, supporting Ethernet, Fibre Channel; SONET/SDH and LINK protocols.
- Local or centralized management - management software acts as CA for X.509 certs
- Easy to install - ‘Bump in the Wire’ design enables “drop in” user network with no changes to devices or network reorganization

Benefit: Security simplified with out compromise

CUSTOMERS IN 29 COUNTRIES

GOVERNMENT, DEFENCE AND COMMERCIAL CUSTOMERS



ENGINEERING CAPABILITY

19 FULL-TIME ENGINEERS WITH SKILLSET INCLUDING BROAD HARDWARE AND SOFTWARE DEVELOPMENT EXPERTISE PLUS FULL PRODUCT LIFECYCLE CAPABILITY

ELECTRONIC HARDWARE DEVELOPMENT

- High speed electronic circuit design, Multi-layer PCB layouts & Field Programmable Gate Array (FPGA) development;
- Industry standard CAD tools (Protel, Mentor)
- Industry standard CPU and bus architectures (X86, Power PC, PCIe etc); and
- Design for international export regulations (Safety, EMC, FCC etc).

SOFTWARE DEVELOPMENT EXPERTISE

- Secure software development methodologies;
- Embedded real-time software development;
- Cross Platform host application development (C++, QT); and
- Linux OS Virtualization technology, C, C++.

MECHANICAL DESIGN

- Bespoke enclosure designs and
- Secure mechanical enclosures for anti-probing and tamper protection requirements.

NETWORK COMMUNICATIONS

- Broad experience of implementing network protocol stacks in both HW & SW;
- High speed optical communications design expertise (10G, 100G); and
- Fifteen years' experience of deploying encryption solutions in diverse network architectures and environments.

SECURITY SKILLS

- Broad experience of implementing encryption algorithms (AES, DES, SEED, ARIA, GOST etc);
- Design and implementation of proprietary key management methodologies;
- Public Key Infrastructure architectures (RSA, DH, X.509 certificates);
- Broad experience in obtaining international security certifications (FIPS, CC, CAPS, NATO); and
- Several engineers with CISSP qualifications.

CN8000 BLADE ENCRYPTOR LAUNCHED



- ❑ Chassis with 10 encryption card slots to support multiple protocols:
 - 1Gbps & 10Gbps Ethernet
 - FC-1-2-4-8 (under development)
- ❑ Interoperable with CN6000 & CN4010 family

- ❑ Solution benefits
 - Flexibility & extensibility for network growth
 - Multiple protocol support in one encryptor
 - Agnostic to network equipment
- ❑ Aggregate throughput – 100Gbps
- ❑ Quantum key distribution enabled

SENETAS ENCRYPTION PRODUCT FAMILY

CN4010

New



CN6010

New



CN6040



CN6100



- Compact desktop enclosure
- 10Mbps-1Gbps Ethernet
- External plug pack
- LEDs
- RJ45 electrical interfaces
- Latency < 10uS
- *CC, FIPS 140-2 level 3*

- 1U rack mount enclosure
- 100Mbps-1Gbps Ethernet
- Scalable licensing
- Pluggable electrical/optical SFP interfaces
- LCD/Keypad
- User-serviceable fans/battery
- Dual redundant AC/DC supplies
- Latency < 10uS
- *CC, FIPS 140-2 level 3*

- 1U rack mount enclosure
- User selectable:
*100/1000Mbps Ethernet **AND**, 1,2 or 4G Fibre Channel*
- Pluggable electrical/optical SFP interfaces
- User-serviceable fans/battery, Dual redundant AC/DC supplies
- Latency < 10uS
- *CC EAL2+ DCE, FIPS 140-2 level 3*

- 1U rack mount enclosure
- 10Gbps
- Scalable licensing
- Pluggable XFP optical interfaces
- LCD/Keypad
- User-serviceable fans/battery
- Dual redundant AC/DC supplies
- Latency < 5uS
- *CC EAL2+ DCE, FIPS 140-2 level 3*

All devices are fully interoperable and can be centrally managed

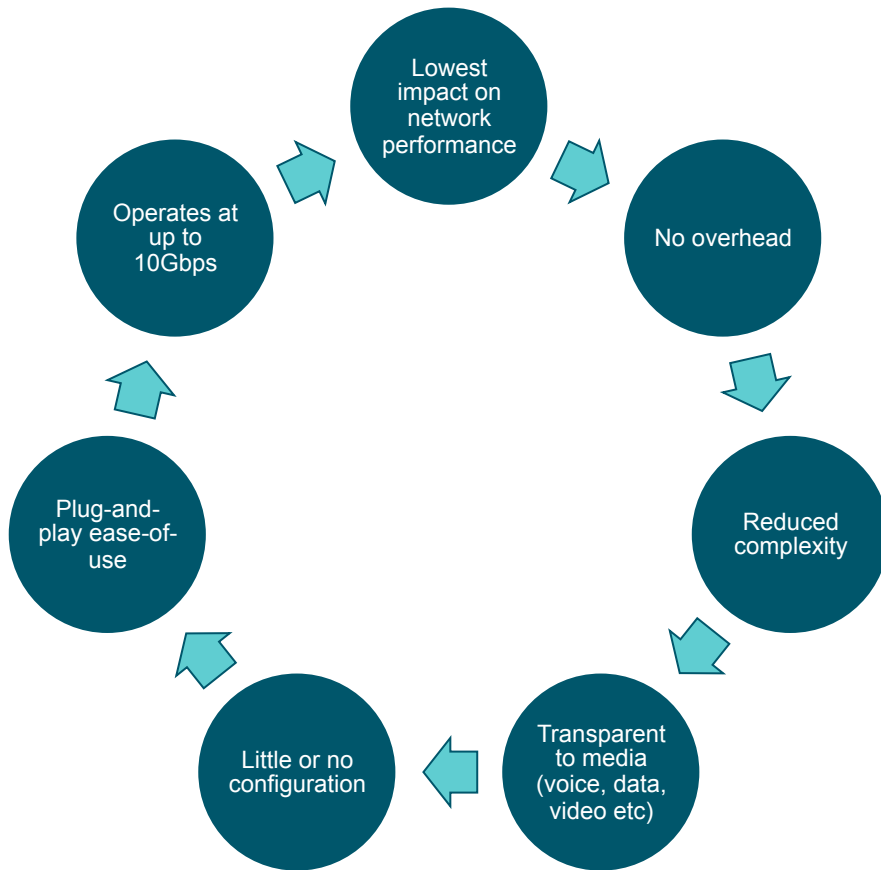
LAYER 2 NETWORK ENCRYPTION PRODUCTS

THE OSI (OPEN SYSTEMS INTERCONNECTION)

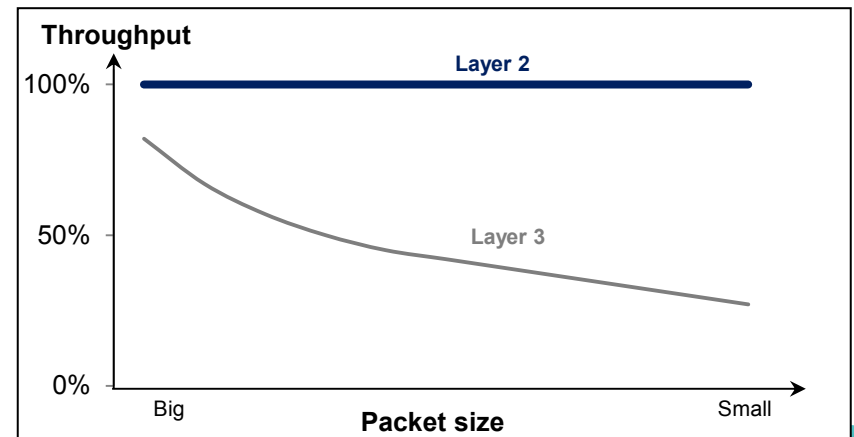
Layer 7 – Application	<ul style="list-style-type: none">Consists of the user-level programs and network services (telnet, ftp, and tftp)	
Layer 6 – Presentation	<ul style="list-style-type: none">Performs the translation between the data representation local to the computer and the processor-independent format that is sent across the network.	
Layer 5 – Session	<ul style="list-style-type: none">Manages sessions between cooperating applications.	
Layer 4 – Transport	<ul style="list-style-type: none">Provides end-to-end sequenced delivery of data. Lowest layer that provides applications and higher layers with end-to-end service.	
Layer 3 – Network	<ul style="list-style-type: none">Responsible for routing machine-to-machine communications (packets). Determines the path a transmission must take, based upon the destination machine's address.	<div>SSL encryption</div> <div>IPSec encryption</div>
Layer 2 – Data Link	<ul style="list-style-type: none">Manages the reliable delivery of data across the physical network (ethernet frames). Provides the abstraction of a reliable connection over the potentially unreliable physical layer.	<div>Layer 2 encryption</div>
Layer 1 – Physical	<ul style="list-style-type: none">Specifies the physical media connecting hosts and networks, and the procedures used to transfer data between machines using a specified media.	

SENETAS' LAYER 2 ENCRYPTION

ENABLES HIGH SPEED, SCALABLE, SECURE DATA TRANSFER WITH NEAR ZERO LATENCY




- Network topologies are evolving and the use of Layer 2 is becoming increasingly popular.
- Layer 2 encryption is often referred to as a “bump in the wire” technology.
 - Conveys the simplicity, maintainability and performance benefits of layer 2 solutions.
 - Designed to be transparent to end users with little or no performance impact on network throughput.



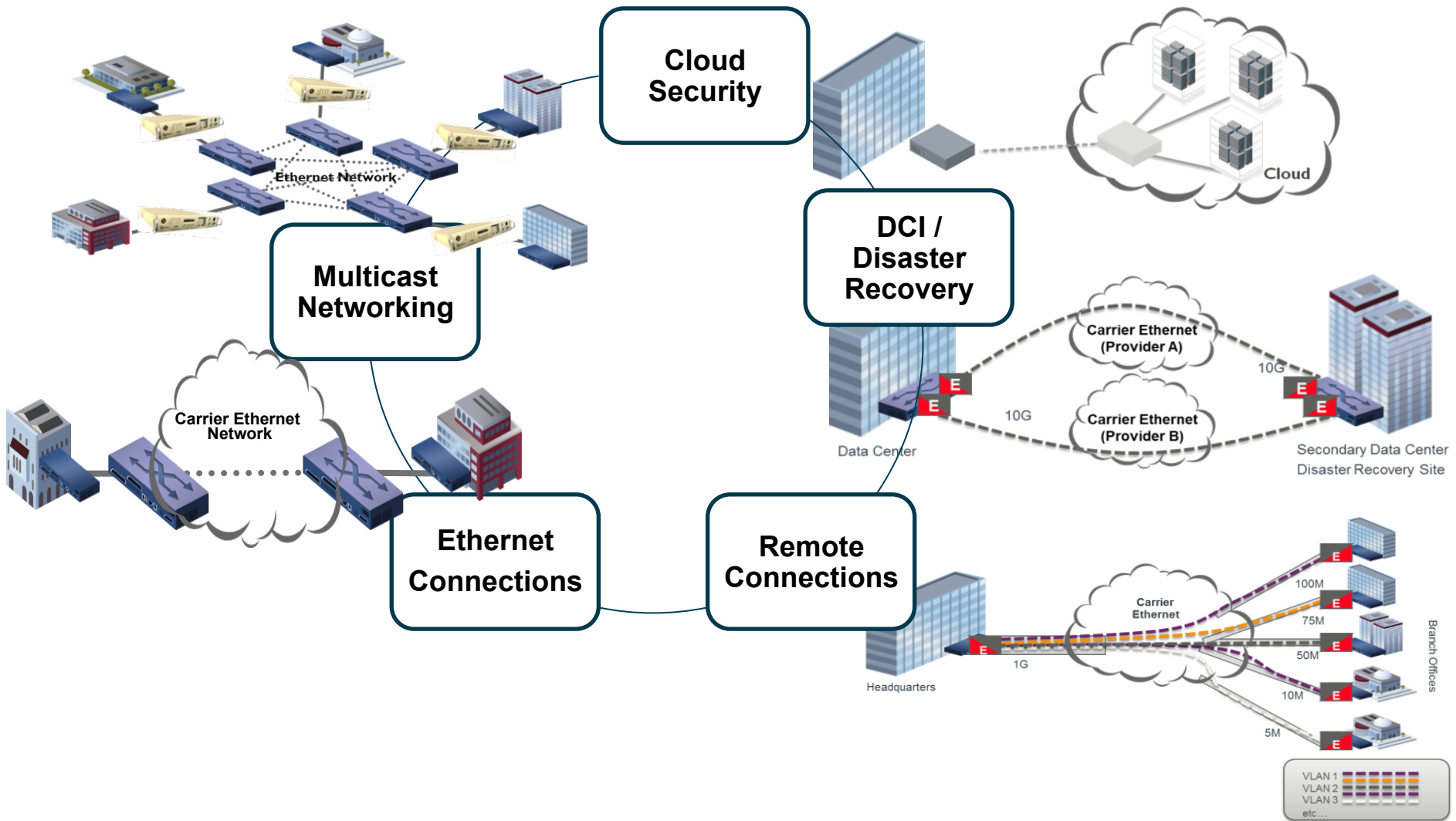
CERTIFICATIONS

All four leading certifications across Senetas encryption products.
Government and Defence – only company in the world with all four certifications

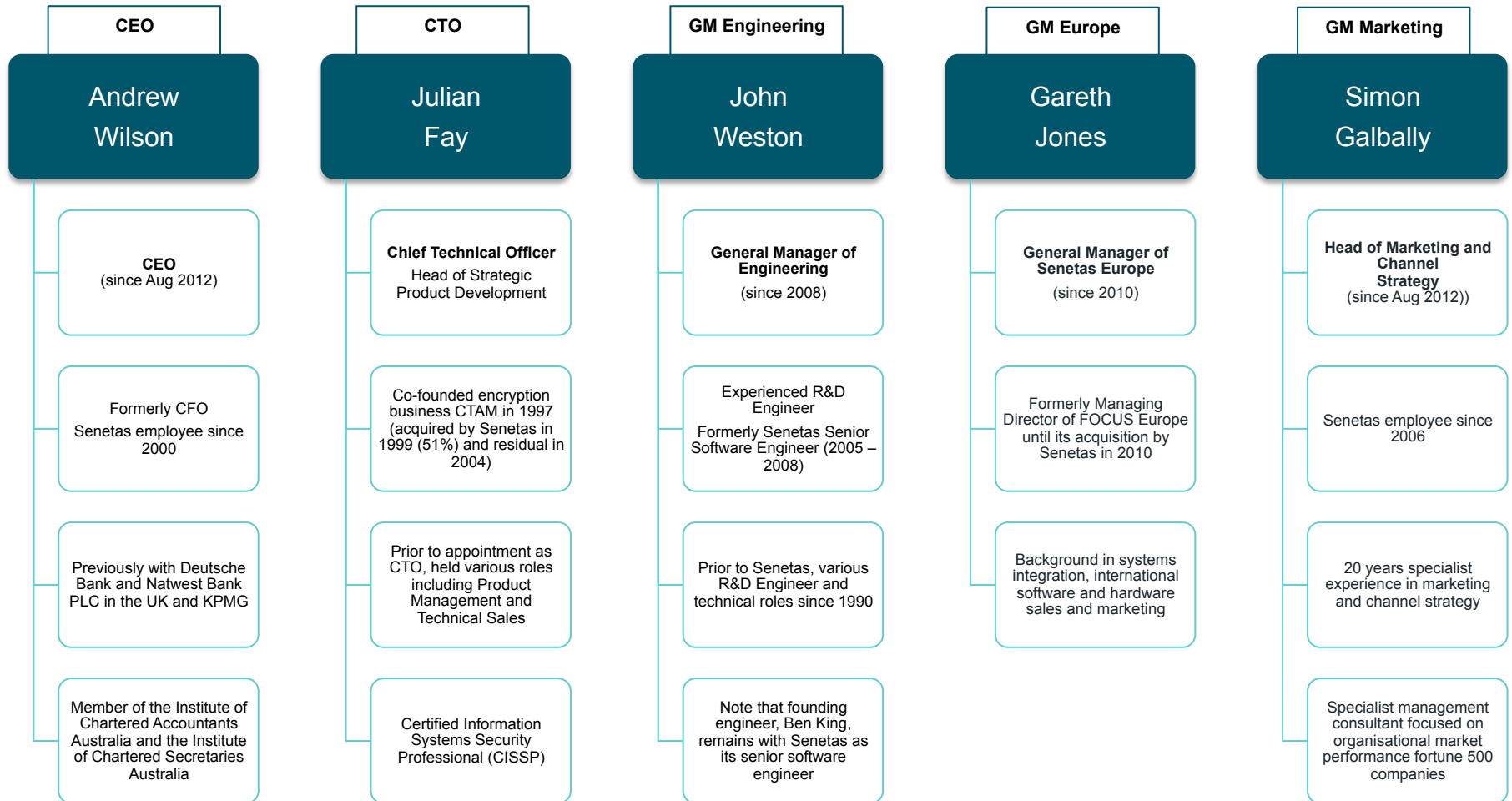
			
<ul style="list-style-type: none">▪ Certification received in March 2012 (certificate numbers 1267 and 1268)▪ Required for purchase of cryptographic products by US Federal Government and defence customers▪ FIPS certification is not the same as “FIPS compliant” or statements like “implements FIPS approved algorithms”	<ul style="list-style-type: none">▪ First certification received in Nov 2009 (certificate number 2011/77)▪ CC is an international standard (ISO/IEC 15408) for computer security certification▪ CC Evaluation Assurance Level 4 (EAL4 and 2+) is required for Australia and New Zealand customers as well as other foreign governments	<ul style="list-style-type: none">▪ Certification received in November 2012 (certificate numbers 1223355849AES)▪ Required for purchase of cryptographic products by the UK Government▪ Senetas has the only Layer 2 Ethernet encryptor device available to the UK government	<ul style="list-style-type: none">▪ Certification received in October 2014 (Certificate Number – N/A)▪ Required for purchase of cryptographic products by the NATO civil and military bodies▪ Senetas has the only Layer 2 Ethernet encryptor device that has completed the certification

NETWORKS

Senetas encryptors are made to suit a wide variety of modern networks



SENETAS MANAGEMENT TEAM



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