

Keycorp Annual General Meeting

Friday 19 December 2008



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Welcome

Robert Bishop - Chairman

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Keycorp has made great progress throughout the year.

- Exited high cost/low margin terminal business and focussed on predictable stable earnings
- Removed debt with substantial cash on the balance sheet
- Restructuring cost base to ensure profitability going forward

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Financial outlook reflects this progress

- 2007 (\$11.5m)
- 2008 Flat
- 2009 \$6 – 8m
- 2010+ Substantial profits

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The future looks positive

- Opportunities in the market
- Sustainable revenue model
- Sufficient cash to pursue opportunities or return capital to shareholders
- Ability to pay dividends on an ongoing basis

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CEO's Address

Ken Carr

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A Year of Change - 2007/8

- Restructure and disposal of Canadian business
- Acquisition of 2 UK Smartcards business's \$3m
- Disposal of Keycorp Smartcard business \$25.3m
- Consolidation of Australian Business and maintaining customers
 - Renewal of contracts
 - Restructure and realign costs and revenues.
- Review of future strategy



Disposal of Canada

- Disposal took place in Q4 Financial year
- Sale of products and recently acquired services business (OSG).
 - Products business was not profitable
 - Services business completed a restructure and became cashflow positive
 - Largest customer (Moneris) acquired the business for \$1 and repaid intercompany loans to a value of \$7.2m (A very good outcome)
- Disposal allowed for a partial repayment of debt
- Repatriation of key staff back to Australia to strengthen core business.

Acquires Smartcards

Business (Stepnexus UK and MAOSCO)

- Already an investor (10% approx) in Stepnexus Holdings
- Stepnexus being driven in a different direction, not congruent to our smartcards interest, needed focus on our plans, not those of other partners
- Additional capital raising at Stepnexus Holdings failed
- Original JV partners then tried to buyout necessary subsidiaries (Stepnexus UK and MAOSCO)
- Circumstances changed and Keycorp acquired 100% of the subsidiaries.
- Initial plans post acquisition were dependent on cooperation from Majors (Gemalto, G&D, Sagem)
- Offer made and accepted from Gemalto for \$25.3m

Smartcards continued

- Original plan assumed focus on major Govt ID projects
 - The Australian Govt project was cancelled post Labor election
 - An Indonesian project was proposed with support from Aust Gov, also cancelled post Labor election
 - UK Govt project slowed to a pilot only
 - Note: *the cost of seriously bidding a project is over \$1m*
- 2007/8 was a strong performing year, however disposal proceeds represented over 10 years of forecasted earnings. *Too good a deal to say no*
- Disposal proceeds repaid total debt of the business and well positioned Keycorp to focus on Australian Services business, as outlined in previous notes to shareholders.
- Final payments were made on December 17th with no further warranty exposures. *(minor escrow amounts still being finalised)*



Australian Business

- Further restructuring required
 - Head office functions moving to Melbourne
 - Moving out of Chatswood Building May 2009
 - Reduction in corporate overheads in line with size of ongoing business.
 - Software Development and Sales to remain in Sydney
- Significant efficiencies made to Keycorp Services in Melbourne, costs reduced, efficiency improved, service quality improved. *(benefited significantly from the repatriation of key staff from Canada)*
- All contracts due were renewed – customer confidence restored, ongoing business secured.
- Performance:- All existing contracts due have been renewed in first half of 2008, Keycorp has no significant contract due for renewal until mid 2010

Australian Operations cont

- Outlook is steady and profitable post restructure
- Locked in contracts, MPSA contracts (3) next renewal May 2010, and others 2011/12, other major services contracts renewed for 3 years. *A good sales and recovery effort, backed up by quality services and software development business, showing confidence by our customer base over previous years.*
- Counter cyclical, as capital spending is reduced, services generally increase to maintain fleets longer than expected. Our business is based on activity, and is highly focused on variable cost models.
- Software growing, EMV software now live at 2 major banks (*top 4*). New orders for, in excess of \$1.2m received in December 08, others to come early in new year.
- We continue to offer hardware products from a range of vendors and maintain our vendor neutral status.

Restructuring

- Head office structure too large for ongoing business
- Focus on smaller overhead, based locally in Melbourne
- Finance, HR and corporate support all reduced and co-locating in Melbourne with Keycorp Services. Other services outsourced, eg legal and company secretarial and IT (although significantly reduced from today's level)
- Closure of Chatswood office at the natural end of lease June 2009, moving to more appropriate size and location
- Planned reduction in board size and total remuneration



Where to ?

- Through contract renewals we are a very stable, predictable and profitable ongoing business. With strong annuity based revenues, contracted business with no renewals until 2010 and beyond.
- Our operational focus now is to grow the business backlog, and to grow new areas of business. With proposals on the table now, we believe we are positioned well to maximise these current opportunities.
- The GFC is a double edged sword:
 - Greater need for services based on existing technologies can drive growth in services
 - Reduced spending on capital will slow down refresh opportunities. However the outcome, the outlook is for minimal negative to reasonably positive business ongoing



Future Strategic Initiatives

- Continue to review the potential growth opportunities both organically and by acquisition or merger.
 - There will be no acquisitions that do not add value or will not be accretive in the course of the year
 - We will manage these within the financial capability of the business, whilst not averse to debt, being mindful of the current market conditions
 - Organically we will maximise our position in the payments area and also look for synergistic opportunities that we can exploit with the infrastructure we have in services.
- We don't rule out further asset sales, if we feel it is the best return for shareholders vis a vis ongoing dividend or capital return
- We continue to explore these options and consider each opportunity to maximise shareholder return.
- If we cannot identify a suitable option, we will provide an appropriate return of funds to shareholders via dividend or capital return

Adoption of Financial Year 2008 Accounts

To receive, consider and adopt the full financial report (financial statements, notes, director's and auditor's reports) of the company and its controlled entities for the year ended 30 June 2008.

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Resolution 1

Adoption of Remuneration Report

That the Remuneration Report as outlined in the 2008 Annual Report be adopted by the company.

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Resolution 2

Election of Michael Ibrahim as a Non-Executive Director of the company

That Michael Ibrahim, who retires at this meeting in accordance with article 16.1 of the company's constitution, be re-elected as a director of the company.

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Resolution 3

Election of Robert Bishop as a Non-Executive Director of the company

That Robert Bishop, who retires at this meeting in accordance with article 16.1 of the company's constitution, be re-elected as a director of the company.

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Resolution 4

Keycorp Employee Share Option Plan

Approve future issues under the Keycorp Employee Share Option Incentive Plan, as set out in item 5 of the explanatory notes accompanying the notice of meeting, for all purposes, including ASX Listing Rule 7.2, exception 9

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Resolution 5

Keycorp Exempt Employee Share Plan

To approve the adoption of, and future issues under, the Keycorp Exempt Employee Share Plan, as set out in item 5 of the Explanatory Notes accompanying this notice of meeting, for all purposes including ASX Listing Rule 7.2 exception 9

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Resolution 6

Keycorp Deferred Employee Share Plan

To approve the adoption of, and future issues under, the Keycorp Deferred Employee Share Plan, as set out in item 6 of the Explanatory Notes accompanying this notice of meeting, for all purposes including ASX Listing Rule 7.2 exception 9

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Questions

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Thank You

Please join us for refreshments

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