

28 November 2018

The Manager, Listings
ASX Limited
Company Announcements Office
Level 4 Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2018 Annual General Meeting – Chairman's Address and CEO Presentation

We attach a copy of the Chairman's address and the CEO's presentation to be delivered to shareholders at the Senetas Corporation Limited Annual General Meeting to be held at The Royce Hotel, 379 St Kilda Road, Melbourne on Wednesday, 28 November 2018 at 10:30 am (Melbourne time).

Yours sincerely



Brendan Case
Company Secretary



Chairman's Address

It is now 10.30am, this is a properly constituted meeting and a quorum is present. I therefore declare the Annual General Meeting of Senetas Corporation Ltd open.

I would like to welcome you today and thank you for your interest demonstrated by your attendance today.

Let me first make some introductions and thank those responsible for your company's achievements. I would like to thank our CEO Andrew Wilson for his leadership and he and his team's efforts for the past 12 months. I also thank our engineers and innovation team ably lead by John Weston, Julian Fay and James Baird for their continued innovation and product development, our marketers for developing the material to best present our products and finally our business development team and global partner Gemalto and its team for their efforts.

I would also like to introduce and thank our directors for their efforts over the past 12 months. Lt Gen (Ret) Ken Gillespie, Dave Hansen, Phil Schofield and Lachie Given. And finally I thank our company secretary Brendan Case for his guidance over the past 12 months.

Senetas's vision is to be a globally recognised trusted provider of high-assurance security solutions. Protection without compromising performance or user experience. Our aim is to have "Senetas Secured" as a must have for any organisation that recognises the need for military grade cyber protection without compromising performance or user experience.

You will shortly observe from Senetas CEO Andrew Wilson's presentation that Senetas has significantly broadened its product offering and we have recently made a major investment that will over time greatly increase our market presence. I said last year that Senetas is a company in transition. We have moved from being a single product company to being a multiproduct company and we have also broadened our technology base and skills. Senetas remains a world leader in providing encryption



technologies both hardware based and software based. Our products are now transport independent encrypting data over layer 2 layer 3 and layer 4 of the telecommunication data transport stack. This significantly opens up our addressable market. And we are using our expertise (through the businesses we have acquired) to provide additional cyber security technologies for government and businesses around the world without affecting performance or the user experience.

Our mission is to become a major global player in the cyber security market and create shareholder value well in excess of where we are today. We cannot achieve that without the right board and investment. Investment in our existing technologies. Investment in what the market is telling us about its future needs. Investment to protect our products against new technologies such as Quantum computing. In this respect I am pleased to announce that Senetas is well down the track for all its products to be Quantum safe. And will be so in 2019. In terms of the board I approached Phil Schofield to join the board because of his investment banking background and connections with the leaders of the world's major investment banks. He has already been of great assistance to us in this respect and this is critical to achieve our mission.

The investment I have just referred to does not come without financial cost. I have been at pains to point out over the past 2 years that your board constantly reviews its capital management plan. We have successfully managed through a number of what I may call tricky situations since our comprehensive recapitalisation. This included rebuilding trust with our then global distributor SafeNet. Then managing the disruption as a result of SafeNet being acquired by Gemalto and having the merged business bedded down. Also meeting market requirements for a 100 G encryptor and introducing new products to the market. And then from late last year managing a new transition ...the acquisition of Gemalto by Thales.

These factors and our caution about the market, global economy (of which we remain cautious) and future investment needs led to the board deciding for the time being to wait and see. I believe that was the correct approach despite some shareholder criticism. Now we have a better view of our business opportunities and investment needs. Accordingly, the board decided to commence a dividend program and also pay a special dividend given where we see the company's prospects over the next 2 to 3 years.



AGM – 28 NOVEMBER 2018

This is on top of a substantial increase in R&D expenditure this half in order to ensure further integration with Gemalto technologies, French accreditation, quantum safe products, transport independent encryption, further enhancing Suredrop (our secure file sharing product) and our virtual (software based) encryption product development for Adva and Senetas. I expect these costs will reduce our profit in the first half from the previous year but will ultimately assist in significantly growing shareholder value.

All of what we seek to achieve comes with personal effort and personal cost. Senetas has an active board seeking to increase the company's business and relationships. 95% of Senetas revenues comes from overseas. This means extensive travel for some board members and more importantly extensive travel for executive staff. That comes at a huge personal cost and I think we as shareholders should acknowledge that fact and thank them for it.

Our relationship with our partners remains very strong and in particular our relationship with Gemalto continues from strength to strength and I would like to thank those executives who we work with in Gemalto for their efforts, transparency and ability to meet with the aussies on trips that are hard to schedule as they often cover 3 and sometimes 4 continents in one trip! We also are looking forward to the finalisation of the acquisition of Gemalto by Thales. We believe that this will be extremely positive for Senetas particularly given the substantial increase in market reach the combined organisation will have.

Finally we are very excited about our investment in Votiro of which Andrew Wilson will explain more shortly. We welcome Votiro to Senetas.

I am very confident about Senetas' future and the building blocks we have put in place. There will always be business disruption as a result of external factors we have no control over but at present we do not see any on the horizon.⁹

Thank you for supporting Senetas.

I now introduce you to our CEO Andrew Wilson.

Senetas Corporation Limited

Annual General Meeting 2018

2018 AGM – CEO Presentation

Andrew Wilson

FY2018 Review



FY18 Highlights

- Record revenue of \$18.97m – up 8%
- Strong growth in product sales – up 39%
- NPBT excluding the impairment of \$5.8m – up 10%
- NPBT of \$4.44m and NPAT \$1.96m (after \$1.36m impairment to the carrying value of the Deep Radiology investment)
- First dividend declared since comprehensive business restructure in 2012
- Unfranked FY2018 final dividend of 0.0462 cents per share
- Special dividend of 0.3237 cents per share, unfranked

FY18 Highlights

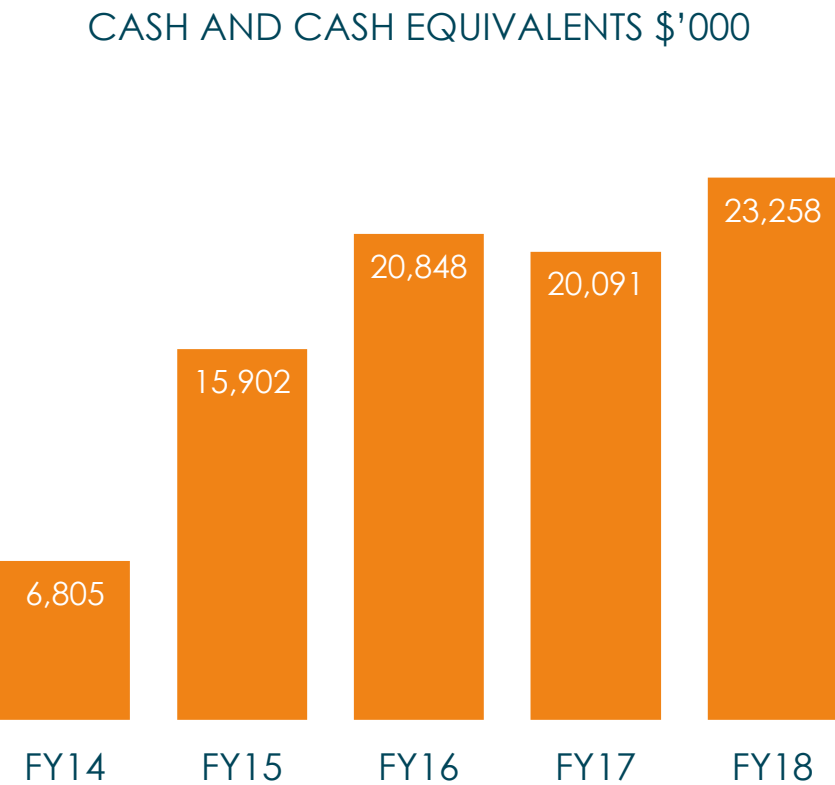
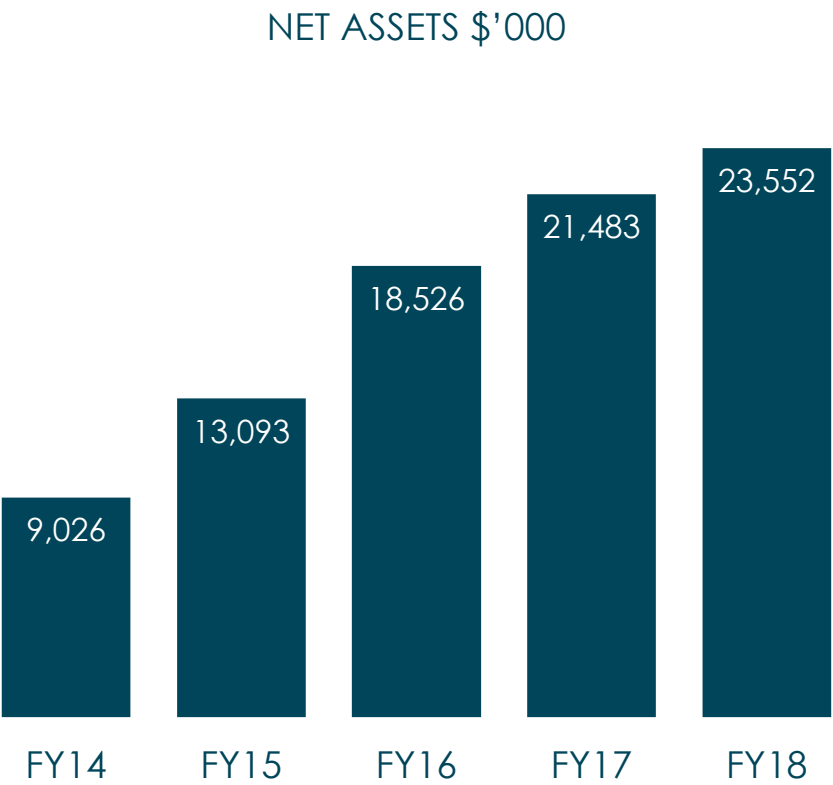
- Strong balance sheet & 10% growth in net assets
- Outstanding cash flow
- Initial sales of the 100Gbps encryptor in FY2018
- Market launch of virtualised (software based) encryption solutions via Gemalto and ADVA we are optimistic that sales are not far away
- Launch of first Senetas software products with transport layer interdependence across Layers 2, 3 & 4 – substantially increasing Senetas's addressable market

FY18 Key Financials

Full year ended 30 June 2018	FY18 \$000's	FY17 \$000's	Change
Revenue from ordinary activities	18,971	17,591	8%
Gross profit	15,414	13,948	11%
Other income	2,491	2,441	2%
Profit before tax from ordinary activities	5,799	5,264	10%
Write-down of unlisted investment	(1,362)	-	
Statutory profit before tax	4,438	5,264	(16%)
Tax expense	(2,482)	(2,385)	12%
Net profit after tax	1,955	2,879	(38%)

- Strong growth in product sales partly offset by lower maintenance revenue
- Gross margins at 81% (FY17 – 79%)
- No revenue in FY18 for the development of custom algorithm product (FY17 \$678k)
- Underlying effective tax rate 43% prior to FY18 write down of unlisted investments (FY17 45%)

Strong Balance Sheet & Positive Cash Flow



US\$8m Investment in

VOTIRO
SECURED.



Advances Senetas strategy: products aimed at security, without compromising usability

OUR STRATEGY

“ To be recognised globally as a trusted provider of high-assurance security solutions. Protection without compromising systems' performance or user experience. ”

Summary

- **\$8M Investment:** Senetas commits up to US\$8M investment in Votiro – leading Israeli CDR (content disarm and reconstruction) company
- **Majority shareholding:** Provides a majority shareholding in Votiro with pre-emptive right on further funding and a first right to acquire Votiro
- **Advances vision:** The investment advances Senetas's vision to provide leading security solutions without compromising performance or user experience, while expanding product suite
- **Leverages capability:** Senetas to leverage its global distribution and business development capability to scale Votiro's award-winning technology
- **Maintains strategic flexibility:** Senetas's balance sheet remains strong with no debt and significant cash reserves to provide the strategic flexibility to continue to invest in core products and pursue opportunistic investments

Votiro further expands product suite



CN SERIES

CERTIFIED HIGH-
ASSURANCE
HARDWARE
ENCRYPTION



CV SERIES

STRONG &
EFFECTIVE
VIRTUALISED
ENCRYPTION



SUREDROP

SECURE FILE
SHARING &
SYNCHRONISATION



VOTIRO

CONTENT DISARM &
RECONSTRUCTION
TECHNOLOGY

Votiro snapshot

**Leading CDR
provider**

400
Customers
1.5 million
end users

US\$3.5-4.0M
CY19E revenue

**Strong Patent
Portfolio**

**Demand for
CDR growing
strongly**

37
Employees

**Strong sales
pipeline**
across multiple
geographies and
industries

**Industry
recognition
& government
certifications**

Our goal is to accelerate Votiro's growth

FUNDING



Allows Votiro to make necessary investments to scale

DOMESTIC DISTRIBUTION



Distribution agreements in Australia / NZ

GLOBAL DISTRIBUTION



Access to cyber-security distribution partners in Europe, US and Asia

BUSINESS DEVELOPMENT



On the ground business development resources in APAC, US and EU

GOVERNANCE



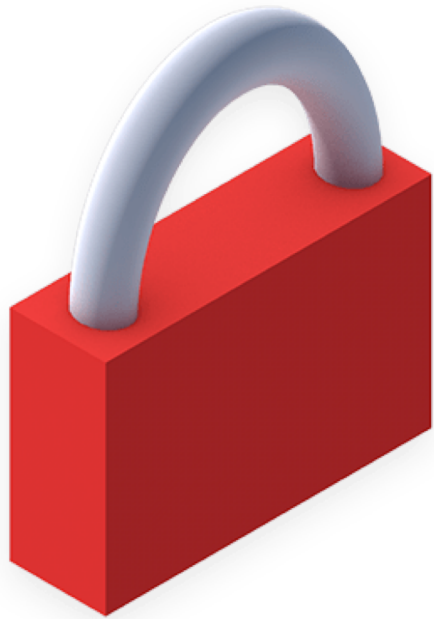
Senetas CEO and Chairman to join Votiro board

PRODUCT EVOLUTION



Broaden Votiro from a defensive product to a business tool by combining with SureDrop

Votiro's patented CDR technology proactively eliminates content based threats



- Protects against the most advanced, persistent cyber-attacks
- Neutralises exploit attempts before they're disclosed
- A single solution for all channels of incoming files
- 100% success rate in disarming zero-day attacks
- It can be integrated with existing customer security systems
- No impact to business productivity – neutralised in < 1 second
- Original content and functionality guaranteed

A clear synergy between Votiro and SureDrop

- SureDrop provides the usability, familiarity and convenience of a drop box, file sharing application; plus the implementation of best-in-class security
- Product differentiation – security model – end to end encryption security and 100% data location control (sovereignty)
- Numerous customer trials in APAC underway
- **Opportunity to integrate with Votiro CDR technology to enhance capabilities – taking Votiro from defensive product to a broader business tool**

SUREDROP



FY2019



Priorities for FY19

- Leverage Senetas's global distribution and business development capability to accelerate Votiro's growth
- First sales of virtualised (software based) encryption products – customer trials ongoing
- Leverage Gemalto's adoption of SureDrop into its product portfolio
- Drive further sales of 100Gbps encryptor
- Progress development of additional capabilities for virtualised (software based) encryption solutions to conform with public cloud environments
- Complete development of transport layer interdependence for hardware encryptors
- New European certification

FY19 update

- Demand for 100Gbps encryptors YTD is ahead of expectations
- Both existing and 4 new customers are currently using the 100Gbps encryptors in their networks
- However, first half FY19 profit is currently expected to be below the prior period
 - Revenue likely to be similar to first half FY18, but lower than expected
 - One of Senetas's larger customers has recently selected alternative (cheaper & less secure) technology and is no longer purchasing Senetas encryptors
 - R&D costs will be materially higher in first half FY19 compared to the prior period
 - December traditionally a very important sales period – further update to be provided post receipt of December 2018 sales results

FY19 update

- Good customer interest in virtualised (software based) encryption products and SureDrop is encouraging
- Initial sales of both products are expected in FY19
- Votiro investment likely to be equity accounted in FY19 accounts

Outlook



- Adding support for more network types into hardware encryptors, virtualised (software based) products which broadens our addressable market.
- SureDrop expected to generate revenue growth from late FY19 and beyond as momentum builds
- Continue to review opportunities to further diversify Senetas's security product suite – building scale and global relevance via new product development, M&A and strategic partnerships
- Maintain strong balance sheet and cash reserves ensuring Senetas is well positioned for capital management and to take advantage of compelling business opportunities

Thank You



Senetas Corporation Limited

Annual General Meeting 2018