19 February 2019

ASX ANNOUNCEMENT

Senetas Corporation Limited – Impact of AASB15 on HY2019 Results

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company) provides the following update in relation to the expected impact of the new accounting standard for revenue recognition (AASB 15 *Revenue from Contracts with Customers*) on its financial results for the half year ended 31 December 2018 (HY2019. AASB15 applies to Senetas's results for the first time in the period beginning 1 July 2018.

Whilst the application of AASB15 will have an ongoing impact on the timing of recognition of revenue from customer contracts there will be no impact on the underlying cash flows of the business.

Impact of AASB15

In accordance with the new standard, the Company is required to estimate and recognise the revenue expected to be earned from customer contracts, rather than waiting for the actual end sale before recognising the revenue.

The practical effect of this for Senetas is that it must recognise in a reporting period the revenue expected to be generated from the inventory held by its global distribution partner (Gemalto) in the period in which the inventory is originally purchased by Gemalto, before it is on-sold to customers.

Similarly, Senetas cannot recognise in the current reporting period revenue generated from the inventory held by Gemalto at the beginning of that period as, under the new standard, revenue expected to be generated from that inventory would have been recognised in the prior reporting period.

The net accounting impact on Senetas's results in December HY2019 of this accounting standard change is to reduce revenue and net profit before tax by A$0.26m compared to what would have been recognised under the previous accounting standard. The pro-forma revenue and net profit before tax for the June HY2018 would have been increased by the same A$0.26m if the new standard had been in effect at that date. The reduction in HY2019 revenue is a result of lower inventory held by Gemalto at 31 December 2018 compared to the inventory Gemalto held at 30 June 2018.

Prior to the impact of the new AASB15, revenue and profit before tax for Senetas in HY2019 were within the ranges provided with the market update on 7 February 2019.

Preliminary HY 2019 profit before tax	Pre AASB 15 $	Post AASB 15 $
Revenue	10.1	9.8
COGS	(2.3)	(2.3)
Gross Margin	7.8	7.5
Other Income	0.3	0.3
Direct and overhead expenses	(6.4)	(6.4)
NPBT (pre impairment to SAT)	1.7	1.4
Impairment to investment in SAT	(1.9)	(1.9)
NPBT	(0.2)	(0.5)

The numbers above are unaudited.

Cash on hand

Senetas advises that its cash balance at 31 December 2018 was $12.25m. The lower cash balance primarily reflects the A$6.4m first tranche of the investment in Votiro Inc. and associated costs in November 2018, and the $4m advance payment to a dividend trust account in relation to the FY2018 final and special dividends subsequently paid to shareholders on 4 January 2019.

Senetas expects its cash balance at the end of March 2019 to be between $16.50m and $17.00m.

Detailed HY2019 results and Appendix 4D

A detailed update on the Company's operations and outlook, and further information in relation to the HY2019 results will be released with the Appendix 4D and Half Year Report on Wednesday, 27 February 2019.

Investor and analyst conference call

The Company will be holding an investor and analyst conference call in relation to the HY2019 results at 11.00AM AEDT on Wednesday, 27 February 2019.

Dial in details: Participants can dial +61 2 9007 3187 or 1800 558 698 (toll free) to join the call. When prompted, please enter Conference ID: [654117]

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ABOUT SENETAS CORPORATION LIMITED

Senetas, an Australian public listed company (ASX:SEN), is a leading developer of encryption solutions for enterprise, government, defence and technology service providers. From certified high-assurance encryption hardware and virtualised encryption, to SureDrop the most secure file-sharing application.

Senetas SureDrop provides data sovereignty control and uses Votiro award-winning next generation content disarm and reconstruct (CDR) technology protecting organisation-wide content from zero-day vulnerabilities before they reach your systems.

All Senetas encryption solutions leverage state-of-the-art encryption key management and crypto-agility by design, providing long-term data protection in a post-Quantum computing world. They share the same designed-in data protection without compromising network and application performance or user experience.

- CN Series – certified high-assurance hardware encryptors for core IT and network infrastructure.
  The CN Series features crypto-agility, uncompromising performance and certifications by multiple independent authorities (C.C., FIPS and NATO), providing Senetas customers with the added confidence that CN Series solutions are state-of-the-art and provide maximum security essential for today's infrastructure.

- CV Series – strong virtualised encryption for large-scale extended and virtualised WANs. The CV Series virtual encryptor provides >1Gbps performance and is transport Layer agnostic. The CV Series enables rapid scalability, flexibility and cost-effective data protection, all the way to the virtual edge. The CV Series encryptor uses the same high-assurance Senetas CN Series hardware encryption platform.

- SureDrop – the most secure, "box"-type file sharing application with 100% data sovereignty control. SureDrop uses Votiro award-winning next generation content disarm and reconstruct (CDR) technology to protect organisation-wide content from zero-day vulnerabilities before they reach your systems. It is an ideal solution for service providers' large-scale deployment as a "Security-As-A-Service" customer solution.

Senetas encryptors have been trusted to protect much of the world's most sensitive information for nearly 20 years and are used in more than 35 countries. They are used to protect everything from government and defence data and secrets, to intellectual property, privacy and business data, to financial transactions, CCTV networks, SCADA critical infrastructure control systems and citizen identities.

Senetas CN and CV Series encryptors provide optimised encryption security for everything from modest bandwidth requirements of 10Mbps to the ultra-fast 100Gbps networks required for aggregated Big Data, Cloud and data centre applications.

Senetas encryption solutions are distributed and supported internationally by Gemalto, the world's largest data security company, under its SafeNet Identity and Data Protection products.

www.senetas.com