

26 February 2014

ASX ANNOUNCEMENT

Senetas Limited Half Year Results Announcement For the 6 months to December 2013

Highlights

- Net profit before tax of \$306,184 in line with guidance provided on 4th February, 2014.
- Positive cash flow, with a debt-free balance sheet and cash on hand of \$4.9m - an increase of 19% from 1 July, 2013.
- Revenue of \$4.8 million, a 50% increase over the comparable period last year driven by benefits from the new international master distribution agreement with SafeNet Inc., (SafeNet) also providing a strong profit contribution.
- Revenue benefits being realised from:
 - o SafeNet's global commitment to Senetas products and the high-speed encryption (HSE) market, which complements SafeNet's strong international market position as "The Data Protection Company"; and
 - o Comprehensive business restructure and clear focus on Senetas's core business and intellectual property in certified encryption of high-speed network data.
- Investment in marketing and business development: The company has reinvested some of the cost savings made in 2013 into its marketing and business development strategy, the benefits of which are being realised through:
 - o Enhanced branding; market awareness and positioning of Senetas products;
 - o Focus on the key drivers of growing global demand for high-speed data networks and the resulting risks to that data in motion – e.g. Cloud computing, data centres, Big Data and CCTV;
 - o Supporting SafeNet's marketing needs to assist it to maximise its global sales and marketing activities.





Senetas Corporation Limited (ASX: SEN), the world's leading developer and manufacturer of certified, defence-grade encryption solutions announced a profit before tax of \$306,184 for the half year to December 31 2013.

Senetas's profit for the half year represents a significant improvement in business performance following our restructure in 2012, resulting in the company's first reported half year profit in a number of years. The profit reflects a \$1,825,559 turnaround from the loss of \$1,519,375 during the same period in 2012. This turnaround highlights the combined impact of:

- the business restructure and cost reductions;
- the new international master distribution relationship agreement with SafeNet.
- Senetas's new marketing and business development strategy; and
- close technical, marketing and sales support and collaboration with SafeNet.

SafeNet Relationship

Following the implementation of the master distribution agreement, Senetas and SafeNet continue to work very closely to achieve sales and profit growth through increased target market coverage and penetration within specific geographic and vertical market segments.

Senetas's technical, marketing and pre-sales support collaboration with SafeNet are important to overall revenue growth as SafeNet expands its high-speed encryption sales geographic coverage and activities in key market segments under the new international master distribution agreement.

Similarly, SafeNet's commitment to Senetas high-speed encryption (HSE) products has been highlighted by its increased sales force; the implementation of an on-going and comprehensive sales and technical training program; and its investment in a broad range of marketing assets and activities.

Importantly, Senetas performs a key role jointly with SafeNet in its sales planning, marketing and promotion activities as well as sales force training and pre-sales support.

Revenue focus

Senetas continues to pursue a range of revenue growth plans in collaboration with SafeNet in its key geographic and industry sector markets.

In the US, SafeNet is expanding its direct sales force and indirect partner activities into targeted non-government sectors, focusing on those most exposed to data protection risks. We expect that SafeNet's penetration of the US non-government high-speed encryption market will contribute positive sales growth, especially as the commercial sector slowly recovers from the US debt crisis.

Furthermore, Senetas's revenue focus continues on the priority encryption and data protection markets of Europe, where SafeNet's presence is strong. New market opportunities are being



progressed in a number of European countries where Senetas is supporting SafeNet's sales, marketing and brand awareness in these priority government and non-government industry segments.

The Company's sales growth plans include leveraging UK government and defence sector opportunities through Senetas's CAPS product certifications by the UK independent government testing authority.

Other revenue growth plans include new business development opportunities in non-government sectors throughout the Middle East and Asia. SafeNet's presence in both geographies is already beginning to open new opportunities.

Marketing Strategy Australia

Under the new marketing and business development strategy, Senetas has moved to a market focused approach to the targeted selection of channel partners where our business plans are closely aligned.

The new marketing strategy has included comprehensive re-branding; clearer and competitive advantage focused market positioning; a new customer-focused Internet site; improved business/technical benefits focused messaging, communications and collateral; partner sales aids and marketing needs support; enhanced product collateral tailored to specific business and technical audiences; digital leads generation campaigns; targeted business development program; public and media relations program; partner co-marketing and sales training initiatives; Senetas events and participation in selected data security events.

Senetas technical personnel closely collaborate with and support SafeNet and ANZ partners and customers in pre-sales activities and prove valuable in successful sales outcomes. In their post-sales activities, Senetas technical personnel are also valuable in additional sales as customers expand the network links they encrypt.

New product opportunities

Senetas's new product releases in 2014 should perform an important role in on-going sales growth. The release of the new CN4010 "entry level" encryptor will fill an important gap in the 1Gbps and lower band width market segments by meeting the needs of small-to-medium-enterprises (SMEs).

In addition to the CN4010 enabling high-speed encryption of more modest data links; it will enable a wider implementation of high-speed encryption to a higher percentage of large enterprise customers' data links, which may otherwise not be protected. This may enable Senetas to increase its total sales value to existing and new large enterprise customers.

Furthermore, the addition of the CN6010 will also provide existing and future customers with improved economies to enable fully featured Senetas high-speed encryption. It will also fill product gaps previously not met by the Senetas range of encryptors.



Similarly, Senetas will soon launch the co-developed (with Senetas's long-standing quantum specialist technology partner, ID Quantique) CN8000 "multi-10Gbps" quantum encryptor. Although a much specialised product with its greatest appeal to operators of very large and high capacity networks, the CN8000 offers a number of important and unique benefits, including quantum key distribution (QKD) that has attracted early interest and its first sales.

Senetas product certifications continue to be a key element of Senetas sales growth and product development. As the Senetas CN6000 series continues to grow, FIPS certifications of the CN6000 series have been achieved. This US testing authority certification is essential to sales of the CN6000 product range to the US Government and Defence sectors.

Additionally, Senetas encryptors enable the use of "custom" encryption algorithms in addition to the AES-256 standard typically deployed. This important capability may also influence future product development and target marketing due to some responses to the Snowden revelations and enquiries received.

Therefore Senetas continues to investigate the demand for such custom algorithms, which are necessary for acceptance and sale of encryptors to the government sectors in geographies such as Eastern Europe and Asia.

Summary

A mix of: substantially increased sales under the new master distribution agreement and close technical, sales and marketing collaboration with SafeNet; the outcomes of the comprehensive restructure and business strategy implemented in 2012; the new marketing, business development and partner support activities; our experienced leadership team's activities; the long-term continuity of skilled product development engineers; and close market collaboration with SafeNet are now being reflected in Senetas's financial results.

The strength of the business relationships under the new master distribution agreement with SafeNet and close collaboration at technical, sales and marketing levels among the companies' senior management teams are proving successful. Both organisations are benefiting.

Senetas benefits from SafeNet's long established customer base, market position, relationships in key industry sectors and global footprint.

SafeNet has benefited from the addition of Senetas's market leading, certified and defence-grade range of high-speed encryptors to its comprehensive range of data protection products and services. Senetas encryptors complete SafeNet's market offer to its key target market segments.

Senetas expects to be profitable for the full year ending 30 June 2014.

Further information about Senetas Corporation Limited at: www.senetas.com