

Senetas Corporation Limited

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17 November 2011

Company Announcements Office
ASX
Level 6
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Dear Sirs,

SENETAS CORPORATION – 2011 ANNUAL GENERAL MEETING

We attach a copy of the Chairman's address and the CEO's address to be delivered to shareholders at the Senetas Corporation Limited Annual General Meeting held at The Royce Hotel, 379 St Kilda Road, Melbourne 3004.

Yours faithfully



Andrew R Wilson
Company Secretary

SENETAS CORPORATION LIMITED

CHAIRMAN'S AGM ADDRESS

Shareholders and invited guests welcome to the twelfth Annual General Meeting of Senetas Corporation Limited, which is also my first as a Director and Chair.

Last year was a difficult year for Senetas, as we have reported, and it is no comfort to know that Senetas is not alone among Australian listed companies whose results have been impacted by many circumstances outside our immediate control. If you have not already done so, please read the Directors' report, which provides breakdown of these results.

In summary, our results for the reporting period are:

- We recorded a net loss before tax of \$5.3 million for the year to June 30
- This included a \$2 million write off of intangibles, so excluding this write off, the result was a loss before tax of \$3.2million, which was in line with the company's mid June market update.

SECURITY PRODUCTS

Looking at our results in terms of units shipped, the company sold and delivered more encryptors this past financial year than in any previous year. However the encryptor unit value was lower, revenue was down 20% and the resulting margin lower. We continually seek to reduce manufacturing costs to increase margins in all our products and expect improvement this year.

Senetas continued its investment in sales resources and Research & Development to maintain its product advantage in both network encryption technology and

application solutions platforms. The company recently released its new CN6 series encryption platform, which is the result of a two year engineering effort and an investment of approximately \$2 million.

There is evidence from our direct market engagement and from our partner channel that demand for information security is being driven across global markets by regulation and by increased awareness at government level that commitment to data security must be demonstrated if they wish to be part of global government-to-government communications channels.

International sales, for the first time, represent the majority (55%) of opportunities represented in the company's sales pipelines. Strategic expansion of the Senetas reseller network included the acquisition of Focus UK to become a 100% subsidiary, Senetas Europe. We are delighted that our long-term partnership in the US with SafeNet continues, and have announced the appointment of two new resellers in the US in order to address more comprehensively what is potentially a large market for our products.

Directors are particularly confident of growth in revenues from the recently announced partnership with SELEX Elsag UK, part of the multi billion Euro Finmeccanica group, together with successful entry of the Senetas CN1000 encryptor to the 'in evaluation' phase of the UK Government's CESG CAPS approval. Achieving CAPS certification will allow UK Government and Public Sector departments to use Senetas Encryptors to meet their Baseline (IL3) security and compliance needs.

Management took a strategic decision to realign the sales strategy in Australia and New Zealand, away from direct sales to sell only through channel partners, who include some of the world's largest IT resellers, effectively providing extra "feet on the street". This is in line with the global sales approach and the company is confident that this strategic sales focus will generate improved revenues once global market confidence returns.

SENETAS SOLUTIONS

Senetas won a three year appointment to the Victorian Government's eServices panel, which will increase the division's revenues during 2012. Senetas Solutions, led by Larry Wilson, is diligently working to secure new consulting mandates in a highly competitive market, but also finding new areas in which to apply its expertise.

MonitorStream, the joint development between the Security and Solutions divisions is a unique platform - basically an application-in-an encryptor. MonitorStream continues to generate interest in Australia and offshore. This secure network and systems performance monitoring solution has been jointly marketed with IBM in Australia in a campaign that has so far directly connected with over 250 organisations and has yielded 19 qualified leads – a positive response rate of 13%, which is encouraging. The company is investigating other applications suitable for embedding in the platform to deliver other revenue lines based on secure cloud based services.

IN CONCLUSION

2011 was a difficult year for Senetas, as it was for many, but the Directors remain confident in the fundamental strength of the product line, the skills of the engineering and solutions teams and the ability of the sales strategy to increase our market reach.

We believe your Company's investment in International sales channels, particularly in the most prospective markets of Europe and the United States, where we have significantly increased our reach, positions the company for growth.

Based on our anticipated success in the UK CAPS evaluation, and regulations requiring data protection with encryption of records across all levels of government, your Directors are confident this investment in a third certification process will generate sales in United Kingdom and, in turn, across Europe.

Management's determination to continue investment in new technologies, in global certifications and in broadening the international sales channels, is a sound strategy. There is increasing global awareness of securing government and corporate data, while protecting personally identifiable information.

As Directors, we remain confident that the company can lift revenues and profits in line with improved global economic stability. We believe that deferred sales will be won, that encryption demand in Senetas' most prospective markets (North America, Europe and Australia and New Zealand) will grow strongly, and that emerging markets (Middle East, Africa and South East Asia) will show

increased interest in globally certified data protection technologies in which Senetas is a market leader.



Senetas Corporation Limited

CEO's Address to the 2011

Annual General Meeting of Shareholders

SENETAS 

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The Australian & Global Markets

- Money is very tight – used for higher savings and debt reduction
- Shortage of capital
- Growth is harder to find except in sweet spots e.g. Mining but commodities softening
- Pressure on costs and business aligning costs to revenue
- High Australian dollar continued negative

SENETAS 

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How We Compete

- Market tight despite growing awareness
- Consulting projects smaller or postponed
- Pressure on margins to close and win
- Regulated markets more receptive
- Senetas business strategy and model reviewed with positive reinforcement
- Our weakness is threefold: need volume, long sales cycles and the cash to expand rapidly



What We've Done

- Expanded our product footprint - investment
- Aligned Solutions and Product - investment
- Acquisition in the UK – investment
- Expand US & European channels – investment
- Maintained Certifications - investment
- Implement Global Operations – investment
- Realign ANZ sales to channel only - investment



Challenges To Achieving Growth

- Continued long sales cycles
- Capital required to fund manufacturing
- Solutions needs to expand through acquisition
- High Australian dollar
- Continued GFC
- Proposed legislation deferred
- New products with lower COGS



Where Will We Be In 2012 What This Means

- UK/Europe & CAPS
- US higher volumes, expanded channels – SafeNet contract renewed
- Australia alignment with NEC. Aust channels include IBM, CDM and HP
- Africa – Traction extending current installs
- Middle East – Continued traction/expansion
- Asia – Growth in SE Asia



Where Will We Be In 2012 What This Means

- Competitors rebadging Senetas technology
- Powered by Senetas
- IBM working with Solutions to jointly market “MonitorStream”
- MonitorStream enters US, UK and SE Asia markets
- Senetas aligned with several large Telco’s

SENETAS 



SENETAS 

Powered by Senetas

All resellers who rebadge will include “Powered by Senetas” in 2012

We will build on this as our branding



Senetas CN/CS Series Encryptors - Layer 2

- Ethernet
- SONET
- Fibre Channel
- ATM
- Leased lines
- T1 circuits

- ✓ 10Mbps to 10Gbps
- ✓ Electrical or Optical interfaces
- ✓ Ultra low latency / high throughput
- ✓ 100% application & protocol transparent
- ✓ Highly secure
- ✓ Dual Certifications and in baseline CAPS



Senetas CEP Series Encryptors - Layer 3/4

Hardware:

HW accelerated variable speed network encryption appliances with aggregate throughputs from 3 Mbps - 10Gbps
VSE - Variable Speed Encryption



Software:

L3 IPsec based encryption with IP header preservation, L4 UDP/TCP payload encryption and Virtual IP Tunnelling

| VSE Speed/ Platform | Cer 10 vSe | Cer 100 vSe | Cer 1000 vSe | Cer 10G vSe |
|------------------------|------------|-------------|--------------|-------------|
| 3 Mbps | ✓ | | | |
| 6 Mbps | ✓ | | | |
| 10 Mbps | ✓ | | | |
| 25 Mbps | ✓ | ✓ | | |
| 50 Mbps | ✓ | ✓ | | |
| 75 Mbps | | ✓ | | |
| 100 Mbps | | ✓ | ✓ | |
| 155 Mbps | | ✓ | ✓ | |
| 250 Mbps | | ✓ | ✓ | |
| 500 Mbps | | | ✓ | ✓ |
| 650 Mbps | | | ✓ | ✓ |
| 1 Gbps | | | ✓ | ✓ |
| 2.5 Gbps | | | | ✓ |
| 5 Gbps | | | | ✓ |
| 10 Gbps | | | | ✓ |



NEW CN6100 10G Ethernet Encryptor



- Highly secure
 - Tamper proof design
- Energy efficient
 - 30-60% less power consumption
- Smaller
 - 1/3rd the rack space required
- Scalable
 - Variable speed licensing
 - Backward compatible



MonitorStream



Summary

- Recognised as best technology in the world
- More countries introducing legislation
- MonitorStream first encrypted SaaS monitoring Infrastructure & Networks
- Pipelines larger than at anytime
- Channel strategy expanding touch points
- Capital required to grow all parts
- Carrying momentum into 2012



“Ladies and Gentlemen, that concludes my address and I will hand the meeting over to the Chairman”.