

ASX ANNOUNCEMENT

21 January 2016

Norwood Sets Stage for 2016 after Spectacular Start with World Phone

Fortnightly Highlights:

- **World Phone stellar double-digit growth rates** continue with a spectacular start to 2016, amid a strong ongoing focus on revenue generation and optimisation of customer acquisition costs
- **Cumulative downloads up 16%, now exceeding 3.1 million**, continuing to demonstrate outstanding fortnightly growth in less than 6 months since launch, balanced across both iOS and Android platforms
- **Cumulative revenue up 19% (+USD\$50,000), now above USD\$320,000** – accelerating exponential revenue growth reflects tremendous progress in relatively short time frame
- **New record Annualised Revenue Run-rate at AUD\$ 1.9 million**

“Sharing Economy” telecommunications pioneer Norwood Systems Ltd (“Norwood” or “the Company”) (ASX: NOR) is pleased to report on customer downloads and revenue from the Company’s **World Phone** consumer telecommunications platform, covering the period 6 January to 19 January 2016.

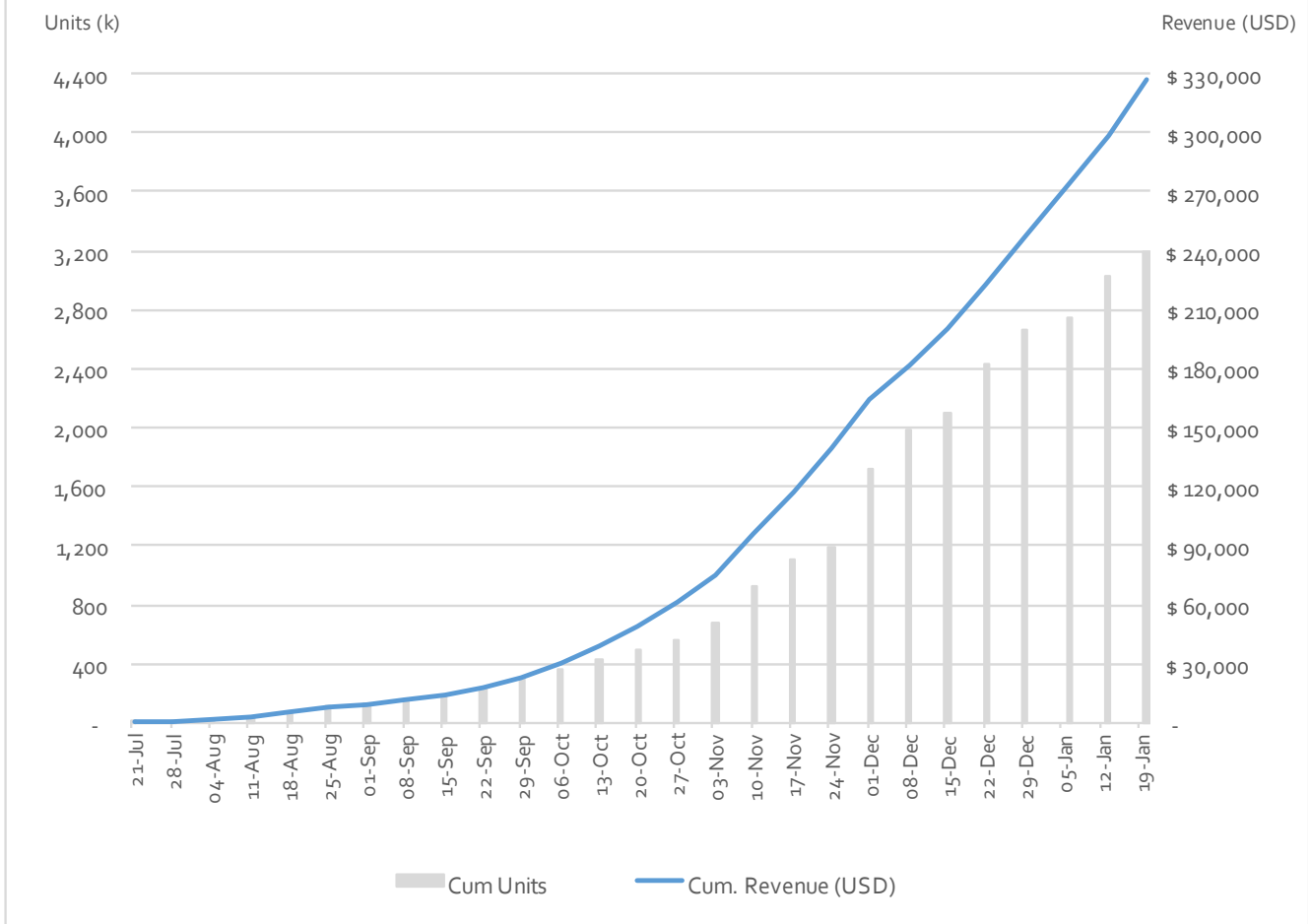
The start of 2016 saw continued, breakthrough growth for **World Phone**, with revenue generation accelerating and trending up significantly ahead of downloads. Norwood is working actively on driving revenue growth, whilst lowering acquisition costs further on new downloads.

World Phone	As at 5 January	As at 19 January	Increase
Cumulative Downloads:			
iOS	1,600,000	1,750,000	9%
Android	1,100,000	1,400,000	27%
Total	2,700,000	3,150,000	16%
Cumulative Revenue:			
Total	USD 270,000	USD 320,000	19%
Average Daily Revenue:			
Average over prior fortnight	USD 3,600	USD 3,800	7%

World Phone enables users to connect easily with their contacts for roaming or long-distance calls using high-quality, low-cost local landline networks – making it easy and affordable to make international voice calls from a mobile device, anywhere around the globe. **World Phone** also allows users to “Be Local™” whilst travelling or communicating from overseas and effortlessly set up and subscribe for a nearby local number so that contacts can call users without the inconvenience and cost of dialling their international number.

Norwood earns revenue from the portion of the installed **World Phone** user base that converts into making purchases. These may be ‘one-off’ in nature such as additional calling minutes inside **World Phone** and Booking.com commissions, or subscription revenue – which is primarily comprised of leasing local numbers, and plans such as the ultimate flat rate monthly plan available on **World Phone**.

World Phone – Weekly Cumulative Downloads and Revenue



Norwood continues to optimise the acquisition cost for new users, with both digital marketing spend and the number of free calling minutes offered to new downloaders. Major recent decreases in the cost of free calling minutes per download (60% reduction) were found to lead to a negligible flow-on effect in digital marketing yield rates and ultimately conversion to paying customers. Similarly, the Company continues to pursue the best “value for money” downloads across digital marketing channels. The acquisition cost of free minutes for new downloaders will be superseded with the coming launch of free App-to-App calling, which is in the final stages of beta testing and expected to be released imminently.

Norwood Systems’ CEO and Founder, Paul Ostergaard, commented:

*“I could not be happier with **World Phone’s** performance since its successful launch mid last year. Coming up to six months in the market from a ‘standing start’ launch at the end of July last year, **World Phone** has achieved nearly A\$0.5 million already in cumulative revenue, more than 3 million outstanding downloads, while attaining App Store rankings and ratings that are the envy of the industry!*

*“It is great to see that **World Phone** has maintained this momentum into the New Year, continuing to turn in highly encouraging and strengthening revenue numbers. Our efforts have been concentrated on driving monetisation, whilst managing down the acquisition costs for new customers, including the costs of initial free calling credit. The team at Norwood is laser-focused on increasing revenue and ultimately driving positive cash flow generation from our user base and products in the most efficient way possible.*

*“We expect to make significant further near-term strides on the revenue front, as we roll out **World Credit**, **new payment options** and **Global Dynamic Pricing** in the coming quarter. These initiatives will allow us to maximise **World Phone’s** monetisation potential well beyond our existing geographic and travel segments. This will see*

World Phone's focus moving beyond just travel roaming, or servicing certain high-cost geographic areas, to offering a truly world competitive long-distance calling service – with truly worldwide revenue generation potential.

*“We’ve been extremely busy over the New Year period, investing a great deal of effort into driving our product roadmaps for 2016. We are delighted with how both our planned new features for existing products and our amazing new product initiatives are shaping up. 2015 was a great year for Norwood, with **World Phone** in particular performing extremely well, and I look forward to another outstanding year ahead for both **World Phone** and **Corona**.*

“As we look ahead, I’m confident that 2016 will be a banner year for Norwood. The team has significant vision, passion and energy to bring to bear, and the Company now has the resources and necessary expertise to deliver outstanding outcomes during the year. In particular, we look forward to providing further updates on specific planned product enhancements and new initiatives in the weeks and months ahead.”

Norwood will provide two further updates on **World Phone** downloads and revenues this quarter on approximately 18 February and on approximately 25 March, after which the Company will move in line with the market standard of quarterly updates for revenue reporting, as per ASX Listing Rule requirements.

-ENDS-

For Further information, please contact:

Paul Ostergaard , CEO & Founder Office: +61 8 9200 3500 Web: www.norwoodsystems.com Twitter: @norwoodsystems, @paulostergaard	Shane Murphy , FTI Consulting Office: +61 9485 8888 Direct: +61 8 9485 8804 Mobile: +61 420 945 291 Twitter: @ShaneWMurphy
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Glossary:

A number of consumer mobile App industry metrics are referred to in this release, alongside traditional financial metrics. For the benefit of readers, these metrics are defined further below.

Revenue for mobile apps refers to gross revenue earned from sale of the application to the consumer, i.e. prior to any commission, allocation, sales share or overhead etc. taken by an App store such as the Apple iTunes App Store for iOS or Google Play Store for Android. Typically, these App stores levy an overhead of circa 30% of revenue.

“One off” versus “Subscription” Revenue discusses the split between purchases that are one off in nature such as additional calling minutes inside **World Phone**, or future booking.com commissions and subscription revenue which is primarily comprised of leasing local numbers, and plans such as the ultimate flat rate monthly plan available on **World Phone**. One off revenue, such as purchasing additional calling minutes, is still classed as one off even if the same user makes multiple purchases in the same month, or regular purchases over an extended period of time.

Revenue Annual Run Rate refers to the approximate Annual Revenues from **World Phone** that would be received, should the current weekly average revenue continue unchanged (along with similar Foreign Exchange Rates) for a full 12-month period. As **World Phone** has only been on sale since 31 July 2015, an annual figure for sales is not yet available. This metric is NOT a forecast of future revenues, but an illustration to assist investors in determining the significance of current run rate revenue figures.

Average Revenue per User or ARPU is simply the total amount of revenue earned divided by the number of users over the relevant period, such as weekly or monthly. In the industry, a monthly period is most commonly used. Given the large numbers of non-paying users present in any consumer mobile app, *average* revenue

figures will always be much lower than available spending options as the revenue from spending users is averaged out across the entire user base. Typically, only a few percent of a consumer mobile App user base will spend money on a mobile App after downloading the App for free.

Engaged Users refers to users who have done more than simply download a mobile app, i.e. they have opened and used the App on their mobile device at least. Engaged Users cease to be counted as engaged if they have not interacted with the App for a given time period. **Engagement** similarly refers to users actually using the app, rather than simply downloading the app.

Background

Individual travellers, businesses and governments globally are incurring significant international call roaming charges. Informa Telecom estimates that mobile operators today bill more than US\$55 billion annually in roaming charges*, which is forecast to grow to more than \$80 billion by 2018 (source: *Juniper Research report on the Mobile Roaming Market, 2014*).

Norwood Systems' patent-pending cloud service platforms integrate the international fixed phone network with short-haul Voice over Internet Protocol (VoIP) technologies to optimise roaming business travellers' telephony experiences.

Australian businesses and individual business travellers are using Norwood's services today on multiple continents. The Company has built up a significant pipeline of prospects, including global players in the areas of aviation, professional services, banking, telecommunications, engineering and legal services.

About Norwood Systems

Norwood Systems Ltd (ASX: **NOR**) is revolutionizing the 'Sharing Economy' delivery of high-quality telecommunications services for individual business travellers and organisations on a worldwide basis. The Company listed on the ASX on 16 June 2015.

Norwood Systems was founded in 2011 to develop and supply the best possible global mobility and roaming solutions using Over-The-Top (OTT) technologies. The Company's breakthrough offerings, **CORONA™** and **World Phone™**, deliver the world's most advanced international fixed-line roaming solutions addressing a broad spectrum of customers, from individual business travellers all the way through to large enterprise and government clients.

CORONA is an award-winning, enterprise-class cloud services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location.

World Phone is an award-winning, revolutionary communications App, delivering effortless 'Sharing economy' consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries.



World Phone