

**ASX ANNOUNCEMENT**

21 March 2016

**Norwood Signs MoU for First Distribution Agreement  
with Major National Telco Operator**

**Highlights:**

- **Non-binding Memorandum of Understanding (MoU) signed with Vietnam Posts and Telecommunications Group (VNPT):**
  - A major full-service Telco, VNPT is the seventh largest company in Vietnam
  - 10 million landline, 33.7 million mobile, and 3.2 million broadband subscribers
  - 90,000 employees – annual turnover approx. US\$ 4 billion
  - Owner of the second largest mobile operator network in Vietnam - Vinaphone
- The non-binding MoU contemplates a technical specification and commercial negotiation as a prelude to a broad-ranging commercial agreement and partnership, covering:
  - MoU and Commercial agreement to be via VNPT's systems integration arm, CT-IN
  - VNPT will promote and market **World Phone** to its customer base for:
    - Unlimited, high-quality direct calling between **World Phone** users for a subscription of US\$1 to 3 per month
    - Regular local, national and international calling to contacts outside the **World Phone** user base offered at rates determined through Norwood's Global Dynamic Pricing system, and paid for with **World Credit** purchased in-App
  - VNPT and Norwood to agree a revenue sharing split for monthly subscriptions
  - VNPT to receive also an estimated 25% of additional contribution (net of costs, App Store and/or third party commissions and fees) for VNPT customers purchasing **World Credit**
  - Norwood and VNPT will jointly market and promote **World Phone** to VNPT's customer base, focusing specifically on business users and the enterprise market
  - VNPT to join Norwood's federated telecommunications services network, offering additional high-capacity points of presence (POPs) for Norwood's installed base
  - Forthcoming **World Message** and **World Wi-Fi** Apps to be added to offer once launched
  - VNPT to explore with Norwood how to make available local numbers to visiting travellers, potentially greatly streamlining the existing process

"Sharing Economy" telecommunications pioneer Norwood Systems Ltd ("Norwood" or "the Company") (ASX: NOR) is pleased to announce the signing of a Memorandum of Understanding with Vietnam Posts Telecommunications Group ("VNPT"). The MoU is intended as a precursor to a full Commercial Agreement, based on the key points above, between VNPT and Norwood. This partnership will see **World Phone** offered and jointly marketed to VNPT's customers, and further see VNPT's fixed line network integrated into Norwood's global federated Telco network. **World Phone** will be offered to VNPT's customers under **World Phone**'s own branding, adapted as necessary to deliver the functionality contemplated above in the key MoU points.

## Mobile Operators and OTT – Overview

Norwood continues to field strong interest in **World Phone** partnerships and the Company is currently pursuing and negotiating further similar agreements or white label opportunities with additional mobile operators.

Mobile operators are facing a significant potential threat to their business from the widespread adoption of “Over the Top” (OTT) voice and messaging services (see attached presentation). The advent of smartphones with inbuilt App Stores, coupled with the availability of high-bandwidth 3G and 4G data pipes into such handsets, have created fertile conditions for competitive entry of OTT service providers, who offer end-point services that directly compete with operators’ native “built-in” service offerings.

With Apps, such as WhatsApp, potentially posing a significant threat to operators’ service revenues, operators are currently looking to source their own competitive OTT capabilities to both preserve revenue, and to accelerate service innovation, which outside of the OTT market, has traditionally been bound closely to slow-moving Telco standards and the dominant handset vendors.

By offering **World Phone** (or a white label version thereof) to a mobile operator’s customers under a revenue share agreement, such mobile operators can give their customers the new high-quality, global and low-cost services they desire, whilst reducing revenue leakage to other OTT telephony or messaging services that would otherwise occur.

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

*“We are extremely happy to announce VNPT as our first potential major Telco sales partner. Subject to reaching a final and binding commercial agreement, the partnership would allow us to market **World Phone** directly and effectively to a significant addressable market in Vietnam.”*

*“Forward-thinking Telco operators like VNPT are getting ahead of the game and offering their customers the OTT Apps, like **World Phone**, that their customers want to use. By offering **World Phone**, they are offering a premium experience which we think their customers will love, whilst still capturing revenue.*

*“Whilst I was attending the Mobile World Congress recently in Barcelona, it was evident to me that OTT services are here to stay and will become a major feature of the Telco landscape. I could not be happier with our positioning as a supplier of high-quality, global and end-to-end OTT service platforms to the Telco Operator market.*

*“I want to acknowledge our team, who has done such a great job in raising up the visibility of World Phone to a global level. This is now putting Norwood on the map, triggering and driving a considerable amount of inbound Telco interest in our service platforms. With 500 mobile operators worldwide alongside roughly 1000 mobile virtual network operators, we can see a bright future ahead to engage with such operators and to deliver to them our award-winning range of high-quality, global OTT service offerings.”*

Shareholders should take note that the MoU will not necessarily lead to a final Commercial Agreement. Whilst both parties agree to work together in good faith to negotiate full terms for a Commercial Agreement following a technical and commercial evaluation, there is no guarantee that a final agreement will be reached.

**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.

-ENDS-

For Further information, please contact:

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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\* (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**