

ASX ANNOUNCEMENT

24 March 2016

Norwood Moves into Next Phase of World Phone Growth

Highlights:

- Major new release of **World Phone** for iOS, incorporating **Free App-to-App Calling, World Credit and Global Dynamic Pricing**, is now live on the Apple App Store, following development completion on 29th February, 2016
- Global Dynamic Pricing and World Credit are now being progressively activated, in-App, across the world, with the transition from “minutes-based” to “credit-based” charging occurring smoothly and garnering positive reviews
- New version of Android World Phone, incorporating the same new features, is progressing well and is expected to be released in the coming month
- Global Dynamic Pricing: Initiated targeted marketing on identified high revenue opportunity corridors
 - Large potential yearly revenue opportunities identified across key corridors, with high percentages of expat or migrant workers, as well as expensive local international pricing
 - The Company will target digital adverts at consumers using these long distance calling corridors
- Cumulative revenue up 16% (**above USD \$465,000**) from last report in only eight months post launch of World Phone on iOS,
- Total downloads now exceeding 4 million, (2 million on iOS, 2 million on Android), with year to date revenue per user continuing to increase
- The Company is currently engaged in active discussions with additional international Telcos in Asia, Europe and the Americas on further **World Phone distribution agreements**

“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 Over-the-Top (OTT) Telephony App, **World Phone**. Norwood has completed a fundamental upgrade for the iOS version of **World Phone**, incorporating the previously announced **Free App-to-App Calling, World Credit and Global Dynamic Pricing** capabilities, significantly enhancing the monetisation potential of **World Phone**.

Global Dynamic Pricing opens up **World Phone**, beyond the roaming market and certain high-cost geographic regions, to address the generalised long-distance calling market. **World Phone** now leverages customised prices for over 20,000+ individual calling routes per location. This enables the Company to “cherry-pick” large, profitable routes, where local telecoms services may not be efficiently priced.

Early feedback on the latest version of **World Phone** has been very positive, in particular commenting on the quality and reliability of the new **Free App-to-App calling** feature. Strong user engagement driven by the Free App-to-App feature offers continued opportunity to increase user monetisation, as users keep using **World Phone**. Monetisation through ongoing engagement is a key strategy employed by other successful App vendors.

Overview of Identified High Value Revenue Corridor Opportunities

Global Dynamic Pricing now gives Norwood the capability to vary its pricing in real-time for any calling route. Pricing is based on a combination of Norwood’s cost base for the route, incumbent competition, market size

and customer feedback. This allows Norwood to target its marketing on specific long-distance calling traffic “corridor” locations where a significant revenue opportunity exists, based on local population factors and incumbent telco pricing.

Norwood has now identified a number of initial high-priority traffic corridor targets, and is currently carrying out detailed market tests in each of these corridors. Identified corridors have several characteristics in common:

- Generally expensive local Telco pricing, with limited competitive activity or restricted markets
- Large communities of expat or migrant workers at one end of a given corridor
- Potentially restricted ability to conduct “free” entirely VoIP based calls over the corridor due to call quality issues, or poor or economically restricted internet access at either end (i.e. only a landline or mobile available on the receiving end)
- Norwood’s cost base is low enough to offer significant price reductions over incumbent pricing on the corridor, including VoIP based competitors, whilst still maintaining suitable margin

Given these characteristics, Norwood believes there is great potential for **World Phone** to target and capture significant revenue across the identified corridors. The top five of these identified corridors – in Europe, Asia, the Middle East and the Americas – have the following approximate market sizes, based upon Norwood’s research:

	Total Corridor Revenue Size, per year	Total Corridor Calling Minutes, per year
Revenue corridor 1	\$US1,800 million	30,000 million
Revenue corridor 2	\$US3,500 million	3,000 million
Revenue corridor 3	\$US1,300 million	3,500 million
Revenue corridor 4	\$US700 million	10,000 million
Revenue corridor 5	\$US900 million	2,500 million

Corridor origination and destination locales are not disclosed for commercial reasons.

In anticipation of the release of the recent upgrade for **World Phone**, Norwood has been significantly restraining its digital marketing efforts. The Company has been continuing to adjust pricing in response to demand, market competition and feedback across its markets and has been planning for potential revenue volatility during this calibration phase. Further calibration of optimal pricing strategies, particularly focusing on the identified high-value corridors, is expected to continue on an ongoing basis post-launch.

World Phone	As at 17 February	As at 22 March	Increase
Cumulative Downloads:			
iOS	1,850,000	2,000,000	8%
Android	1,750,000	2,000,000	14%
Total	3,600,000	4,000,000	10%
Cumulative Revenue:			
Total	\$US 400,000	\$US 465,000	16%

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

*"Our introduction of important new capabilities into **World Phone** is progressing according to plan and we are delighted with the early consumer response and the take-up of the new features*

*"The feedback we have received on the quality of the **Free App-to-App calling** and on the beautiful look and feel of our upgraded user interface has been very favourable, and is a credit to the team.*

*"Most significantly, the new economic capabilities we've added to **World Phone** give us a powerful platform to pursue a number of identified high-value long-distance calling corridors, where we can utilise our existing digital marketing skills and leverage the proven product excellence of **World Phone**. Our previous minutes-based charging model kept us out of many of these corridors. **Global Dynamic Pricing** and **World Credit** will allow us now to offer a strong value proposition to users in these locales.*

"These features have also been eagerly anticipated by a number of our prospective Telco partners, and with a complete OTT telephony feature set, we now have a compelling platform to offer the global carrier market.

*"I look forward to taking **World Phone** into this next phase of growth, as we focus marketing efforts across identified high-value calling corridors, as well as through an increasingly important strategic Telco distribution channel."*

As previously detailed, Norwood will provide further updates on **World Phone** downloads and revenues alongside the regular ASX Listing Rule requirements for quarterly cash flow reporting.

-ENDS-

For Further information, please contact:

<p>Paul Ostergaard, CEO & Founder Office: +61 8 9200 3500 Web: www.norwoodsystems.com Twitter: @norwoodsystems, @paulostergaard</p>	<p>Shane Murphy, FTI Consulting Office: +61 9485 8888 email: shane.murphy@fticonsulting.com Mobile: +61 420 945 291 Twitter: @ShaneWMurphy</p>
---	---

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