

**ASX ANNOUNCEMENT**

29 April 2016

**Norwood Company Overview and Appendix 4C for March 2016 Quarter**

**Highlights:**

- **World Phone** major new upgrade completed with incorporation of **Free App-to-App Calling**, **World Credit** and **Global Dynamic Pricing** capabilities, significantly enhancing monetisation potential.
  - **World Phone**, Norwood's Over-the-Top (OTT) Telephony App, has now recorded more than A\$700,000 of in-App purchases and more than 4 million downloads.
  - Early market acceptance of **World Credit** is positive, with further optimisation of **Global Dynamic Pricing** underway.
  - Overall focus of **World Phone** activities is to increase monetisation, Average Revenues per User (ARPU) and overall revenue.
- Meaningful discussions with several Mobile Telco and other firms are being aggressively progressed, focussed on carrier licencing and/or distribution agreements for Norwood's federated platform and its Apps.
  - Further to these discussions, Non-binding Memorandum of Understanding (MoU) signed with Vietnam Posts and Telecommunications Group (VNPT) during the quarter, which has over 33.7 million mobile subscribers. Discussions now progressing towards a broad-ranging commercial agreement and partnership.
- Development on two new "World" apps advanced with **World Message** and **World Wi-Fi**
  - **World Message** combines the best of SMS with the best of WhatsApp, and supports **World Phone** presence info.
  - **World Wi-Fi** lets you seamlessly get online at millions of Wi-Fi hotpots globally and integrates with **World Phone** and **World Message**.
  - Further updates in coming quarter as product development continues.
- **CORONA** enhancements including **CORONA Cloud** and **CORONA GTS** entering final Beta stage with early external customers, alongside launch customer discussions.

"Sharing Economy" telecommunications pioneer Norwood Systems Ltd ("Norwood" or "the Company") (ASX: NOR) is pleased to provide an update on Company activities, alongside the lodged Appendix 4C for the period 1 January to 31 March 2016.

Overall, the quarter has seen significant progress on a number of fronts across technical development, new product initiatives and potential future commercial partnership negotiations. The Company is now well placed to soon bring a number of these initiatives to fruition. Significantly, the successful major new upgrade of **World Phone** to incorporate **Free App-to-App Calling**, **World Credit** and **Global Dynamic Pricing** capabilities offers the potential for a significant step change in monetisation capability.

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

*"We've had an extremely active quarter, topped off by the impressive achievement of launching without notable issue a major change to the way our **World Phone** users pay for and use the product. I'm pleased to report that early uptake of **World Credit** is highly encouraging and exceeding our initial internal expectations, with roughly 50% repeat purchase behaviour by **World Credit** users to date.*

We've also laid the groundwork for a number of potential commercial agreements with several Mobile Telco firms, based in part on our superior App store positioning, our unique federated network architecture, and the desire of Mobile Telco's around the world to offer competitive alternatives to Over the Top competitors. Our investment in achieving **World Phone** "Number 1" historical App Store rankings around the world has had a key role to play in this, and I look forward to a number of these discussions potentially coming to fruition in the coming quarter.

Ultimately we are working towards becoming a profitable world leader in 'sharing economy' Telco Services with a suite of 'Over-the-Top' Apps and platforms delivering communications services to consumers and business. I believe we have made significant progress towards that goal this quarter.

### **Carrier and Other Potential Distribution Partner Discussions**

Meaningful discussions with a range of mobile operators, and other interested groups, are underway canvassing the possibility of material carrier licencing or other distribution arrangements for Norwood's platform of Apps including **World Phone**, **World Message** and **World Wi-Fi**. This was demonstrated with the signing of a non-binding MoU with Vietnam Posts and Telecommunications Group (VNPT), which has more mobile subscribers than Telstra, Optus and Vodafone Australia combined.

Similar, advanced discussions with other mobile operators span nearly the entire globe and demonstrate the strong industry-wide interest in solutions to answer the OTT threat from new players providing services directly to end-users, bypassing the mobile operators' own native services. Norwood has one of the highest-quality, field-tested and provably scalable platforms and App in the market for mobile OTT VoIP and will soon be adding some great OTT messaging capabilities to the mix.

This is driving significant inbound mobile operator interest in potential commercial arrangements with Norwood. Alongside current meaningful discussions with approximately six mobile operators (in addition to VNPT) on a licence or white label type arrangement, Norwood is also actively exploring options for distribution of **World Phone** in alternative channels where a strong "face to face" transactional element is present.

Whilst not all of these discussions will ultimately reach a successful outcome, Norwood is confident that a number will progress to agreements leading to material revenues for Norwood.

### **World Phone**

<b>World Phone</b>	<b>As at 31 March</b>
<b>Cumulative Downloads:</b>	
iOS	2,025,000
Android	2,075,000
<b>Total</b>	<b>4,100,000</b>
<b>Cumulative Revenue:</b>	
<b>Total</b>	<b>USD 485,000</b>

The company has seen highly encouraging uptake of **World Credit**, with a significant percentage of repeat purchases across a worldwide user base. This has successfully achieved the aim of moving the addressable market for **World Phone** beyond certain price limited geographies and business travellers, to a truly worldwide

market. **Global Dynamic Pricing** optimisations based upon a combination of local market pricing, competition and user demand have now begun, and are expected to lead to further improvements in monetisation and average revenues per user.

Whilst Android updates have lagged iOS developments, Norwood is committed to fully supporting the Android platform and ensuring the user experience matches the standard set by the well regarded iOS version. Recently the Company released 30 additional languages for the Android version of **World Phone**.

## **CORONA**

The company is now entering the final stages of testing prior to launch of the planned **CORONA Cloud** update. **CORONA Cloud** will allow corporate users to have a centralised web dashboard for managing multiple users and groups in the business environment. After a successful internal alpha and beta test, development has reached the final beta stage. Norwood expects this final beta to conclude in the coming quarter and will involve external customers with strong interest in the product. Following the beta period, a public launch will occur. Norwood has continued discussion with potential launch customers ahead of the beta completion.

Alongside **CORONA Cloud**, work on **CORONA GTS** (Global Trunk Services) is also continuing. **CORONA GTS** will connect all of office voice traffic to Norwood's global federated network, giving a single vendor solution for multi-sited multi-country organisations. Norwood has held early discussions with business groups interested in using the GTS solution, particularly those with multiple country office environments. Norwood expects **CORONA GTS** to become available for public beta in the coming quarter.

Whilst **CORONA** updates are taking a few weeks longer than initially projected earlier in the year, the Company remains satisfied with progress to date, and particularly the customer feedback so far on the core upgrade concepts and initial Beta testing.

## **World Message and World Wi-Fi**

Development of the future "World" Apps **World Message** and **World Wi-Fi** has progressed significantly, with both moving past the prototype and proof of concept stages. **World Message** combines the best of SMS with the best of WhatsApp, and supports **World Phone** presence info, whilst **World Wi-Fi** lets you seamlessly get online at millions of Wi-Fi hotspots globally and integrates with **World Phone** and **World Message**.

The company expects to release further updates in the coming quarter as development continues, and potentially after patents are filed for.

## **Corporate**

Norwood was granted the Company's first Australian patent in January 2016, covering core technology systems used in the Company's **CORONA** platform, following an application made in July 2011. The patent provides protection within Australia for Norwood's unique ability to automatically configure pre-existing business telephone networks to integrate with Norwood's products, without the previously required manual configuration steps. Four other patents filed across 2012, 2013 and 2015 covering other aspects of Norwood's technology are progressing towards grant.

With approximately \$2.9million cash as at 31 March, the Company continues to prudently manage its working capital requirements and expects to see stronger contributions over time from **World Phone** and **CORONA** in line with recent upgrades to improve monetisation, as well as potential future contributions from Mobile Telco or other partnership and distribution agreements.

-ENDS-

For Further information, please contact:

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