

**ASX ANNOUNCEMENT**

31 October 2016

**Norwood Corporate Overview and Appendix 4C for September 2016  
Quarter**

Highlights:

- Corporate Sales activities to potential enterprise customers continue over quarter, across several dozen corporates across a range of vertical sectors
- Current actual sales activities now gross margin positive after Company R&D investment in technology
- Discussions confirm appeal of Norwood's Over the Top solutions
- Norwood has also recently launched World Phone v2.0 on the iTunes App store
  - Latest Apple iOS update allows World Phone's functions to offer identical experience as traditional telephony options
  - Users have the same seamless calling experience as cellular calling
  - World Phone 2.0 expected to drive additional success with corporate customers

"Sharing Economy" telecommunications pioneer Norwood Systems Ltd ("Norwood" or "the Company") (ASX: NOR) is pleased to provide an overview on the Company's activities for the September 2016 quarter and the accompanying Appendix 4C.

As previously outlined, the Company has prioritised Corona corporate and Europa carrier OTT ("Over the Top") platform sales for the September quarter, and will continue this focus into the current and coming quarters. This has also involved the definition of a number of core target segments for the Company's products including Enterprise, Telcos and Travel & Loyalty providers.

As a result of the sharpened sales focus, Norwood has engaged in-depth with several dozen potential enterprise customers, covering a range of sectors such as insurance, airlines, loyalty program providers, media & communications, engineering services and resources. These potential customers range in size from sub \$10M turnover, to divisions of global firms with billions in revenues.

Discussions with these potential customers have confirmed the appeal of Norwood's OTT solutions, particularly focusing on addressing issues with fleet management, identity management and compliance. A number of unique and durable enterprise value propositions have been identified and targeted, each with significant addressable market size.

**Corona Cloud 1.0** has now formally entered the released V1.0 stage, and is marketed now as a shipping and live product. Additionally, **World Phone 2.0** for iOS has been released on the Apple App Store. Both of these platforms as key to supporting Norwood's revised enterprise strategy.

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

*"We've had a very active quarter on the sales front, meeting with several dozen potential enterprise customers across a range of industries. This has confirmed the appeal of our products and been backed by the identification of a number of unique enterprise solutions."*

*“Additionally, Norwood’s Travel & Loyalty segment pipeline is developing well, with several key prospects starting to engage meaningfully with the Company. They are particularly interested in white label versions of World Phone and World Wi-Fi.*

*“Our Telco pipeline is continuing to develop with demand coming most visibly from MVNOs looking to improve their international calling and roaming offers.*

*“In product development we’ve built and shipped post quarter end a very significant update to World Phone, based in part on iOS enhancements I personally requested from Apple two years ago. We have also released Corona Cloud and moved it out of Beta. Both developments will positively impact the strength of our enterprise offering, as well as our other targeted segments.*

*“In terms of financial performance, we’ve successfully reduced ongoing core non-discretionary spend, net of extraordinary items, this past quarter to less than \$400,000 per month without compromising R&D or ongoing sales and marketing. This has been achieved by re-directing our sales and marketing spend to longer-term viable SaaS-based segments in the Enterprise, Telco and Travel & Loyalty sectors, and away from the telco-oriented Consumer segment.*

*“Whilst this shift in sales and marketing focus has led to a short-term decline in booked revenue, the Company is extremely optimistic about its near-term forward revenue pipeline, in particular within the Enterprise and Travel & Loyalty segments, with material deals in both of these segments approaching term-sheet stage. We have forecasted a modest uplift in spending this coming quarter, reflecting the confidence the Company has in its near-term pipeline.”*

## **World Phone**

**World Phone 2.0** provides users with the same seamless calling experience they would have using cellular calling. This is the first time calling experience identical to and integrated with traditional telephony features has been possible on an iOS platform and Norwood expects it will significantly further increase the appeal of **World Phone**, particular amongst its target corporate customer market.

As well as direct to consumer sales, **World Phone** provides the mobile portion for individual users of the Corona Cloud experience for Norwood corporate customers, and is one part of the overall Corona package which incorporates advanced real-time billing, and further value-added benefits for corporates in identity management, BYOD management and compliance functionality.

**World Phone** is an early adopter of the “CallKit” features in Apple’s iOS10, which reflect product enhancement requests made in person by Norwood’s CEO to Apple Engineers two years ago at Apple’s 2014 WWDC conference. The incorporation of these new capabilities in **World Phone** are a reflection of Norwood’s commitment to innovation and the adaptability of its **World Phone** platform.

**World Phone 2.0** includes a number of new features that makes its services virtually seamless compared to cellular calling, which is in turn having a material impact on existing and clients in Norwood’s sales pipeline. Most significantly:

- **World Phone** calls are not overridden by incoming cellular calls, instead the user is provided with the cellular User Interface (“UI”) experience for ‘end and answer’ and ‘hold and answer’
- The user can seamlessly toggle between **World Phone** and cellular calls
- Incoming **World Phone** calls are delivered to the handset, even if the App is not running
- Incoming **World Phone** calls are displayed with the traditional telephony UI experience including a full screen incoming call alert
- Incoming **World Phone** calls can be answered without unlocking the device, exactly the same as traditional calling

- **World Phone** calls appear in the native dialler's call history and users can set 'favourite' contacts in the native Phone App to use **World Phone** as the first preference.

While **World Phone's** user experience and App Store ratings were already excellent, the new features delivering seamless telephony in **World Phone 2.0** are revolutionising how clients view Norwood's services.

### Europa and Telco partners

Discussions with a number of telco partners worldwide are proceeding on four continents. Significant progress has been made with certain class of mobile operator, namely Mobile Virtual Network Operators (MVNOs), as these types of operators generally have enhanced needs for high-value international calling and/or roaming services, due to the nature of their retail/wholesale relationship with their host network provider. The VNPT opportunity is awaiting the productisation of both Android and IOS versions of the World Wi-Fi app. This is targeted to be complete during Q4 2016.

### Travel and Loyalty partners

In the past quarter the Company has seen a significant opportunity emerge for provision of White Label Apps to travel and loyalty service providers. The company is currently addressing multiple opportunities in this sector both in Australia and internationally.

### New Product Development – World Wi-Fi and World Message

Development on the announced products **World Wi-Fi** and **World Message** has also continued, with **World Message** in particular providing a strong compliance solution for heavily regulated sectors. **World Message** is now entering Alpha testing.

**World Wi-Fi** has been undergoing continued testing during the quarter and is of particular relevance to progressing Norwood's pipeline of carrier opportunities in South-east Asia, including VNPT. Clients for both Android and iOS mobile are currently undergoing testing. The Company also added Fon as an additional Wi-Fi network aggregator partner and is in early discussions with a third aggregator.

Initial versions of both products are expected to ship in Q4, CY16.

### Corporate

During and subsequent to the quarter the Company saw a changeover of Company secretarial and associated services, with Mr Brett Tucker handing over to Mr Steven Wood. The Board again expresses their thanks to Mr Tucker for his contribution since the Company re-listed on the ASX in June 2015

The Company expects to pay recurring expenditure of approximately \$365,000 per month and is budgeting for the receipt of a Research and Development Grant via the ATO in the coming quarter of approximately \$1.26 million. It is anticipated this investment in R&D will significantly aid the balance sheet in future periods.

<ENDS>

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## 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' patented cloud service platforms and Apps integrate the international fixed phone network with short-haul Voice over Internet Protocol (VoIP) technologies to provide high quality, well priced calling abroad or at home.

Customers in over 5000 cities and 200 countries are using Norwood's services today. 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 revolutionising the 'Shared Economy' delivery of high-quality telecommunications services for individual business travellers and organisations globally. The Company listed on the ASX on 16 June 2015.

Norwood Systems was founded in 2011 to develop and supply the best possible global voice, data and messaging solutions using Over-The-Top (OTT) technologies. The Company's breakthrough offerings, **Corona** and **World Phone™**, deliver the world's most advanced international and roaming calling solutions addressing a broad spectrum of customers - from individuals and business travellers, to enterprises and government clients.

**Corona** is an award-winning, enterprise-class services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location. It also offers a frictionless Corona Cloud option.

**World Phone** is an award-winning, revolutionary communications App, delivering 'Shared 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. The App is available for Android and iOS.



**World Phone**

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

**Name of entity**

NORWOOD SYSTEMS LIMITED

**ABN**

15 062 959 540

**Quarter ended ("current quarter")**

30 SEPTEMBER 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	42	42
1.2 Payments for		
(a) research and development	(253)	(253)
(b) product manufacturing and operating costs	(160)	(160)
(c) advertising and marketing	(300)	(300)
(d) leased assets	-	-
(e) staff costs	(273)	(273)
(f) administration and corporate costs	(394)	(394)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,330)</b>	<b>(1,330)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(6)
(b) businesses (see item 10)	-	-
(c) investments	-	-

**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(6)</b>	<b>(6)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,889	3,889
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,330)	(1,330)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,553</b>	<b>2,553</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,502	3,829
5.2	Call deposits	51	60
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,553</b>	<b>3,889</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

(58)

-

- Managing Director's Salaries and Wages
- Non-Executive Director's and Chairman's fees.

**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	(1)
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

- Payment for consulting fees.

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(423)
9.2 Product manufacturing and operating costs	(103)
9.3 Advertising and marketing	(131)
9.4 Leased assets	-
9.5 Staff costs	(335)
9.6 Administration and corporate costs	(187)
9.7 Other (Extraordinary/Non-recurring Expenses)	(370)
9.8 Other (Research and Development and EMDG Grant)	1,300
<b>9.9 Total estimated cash outflows</b>	<b>(249)</b>



10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

31 October 2016

Sign here: ..... Date: .....

(Director/Company secretary)

Steven Wood

Print name: .....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.