



ASX Announcement

PERTH SEPTEMBER 19, 2018

FAMILY ZONE SIGNS LONG FORM AGREEMENT WITH VODAFONE, POSITIONING TO DOMINATE INDIAN CYBER SAFETY MARKET

Family Zone Cyber Safety Ltd (ASX: FZO, 'Family Zone' or 'the Company') is pleased to update the market on the Company's telco strategy and continued progress in India.

HIGHLIGHTS

- Term sheet with Vodafone India, has now progressed to a signed long-form agreement for services and content provision covering both Vodafone India and Idea Cellular.
- Family Zone has now been selected in competitive evaluations by Telkomsel, Maxis and Vodafone (operating in 25 countries).
- India represents a significant and compelling growth opportunity for Family Zone: the fastest growing major economy with fastest growing middle class; 80% mobile penetration among children; over 30 million children using smartphones and in excess of 260 million students. Industry estimates suggest Indian cyber safety revenue will reach US\$1.25 billion by 2025.
- Family Zone is pursuing a holistic commercialisation strategy in India incorporating plans for telco distribution, education sales and affiliate partnerships including with major WiFi hotspot providers.
- Family Zone swiftly moving to an execution phase for India.

Vodafone signs long-form agreement

With its recently announced merger with Idea Cellular, Vodafone India will soon be India's largest telco with well over 400 million subscribers and a 42% market share.

In May 2018, the Company signed a Term Sheet with Vodafone for the resale of Family Zone services. The Company is pleased to confirm the signing of a long-form agreement for Services and Content Provision between the companies, which extends the Family Zone's capability to offer services across the combined Vodafone & Idea customer base..



Family Zone is now pressing ahead on deployment and go-to-market planning with Vodafone.

The Company has received advice that this project is being viewed closely by the Vodafone Group globally, with its success creating a strong opportunity to extend the relationship to other Vodafone entities.

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Dipankar Ghoshal, Country Head VAS and Content, Vodafone India said:

“Vodafone is proud to be launching the world’s most advanced and trusted child protection ecosystem. We believe that Family Zone provides our customers with the necessary peace of mind that their children are able to access the internet in a safe and responsible manner.”

Micromax work underway

As advised to the market in May 2018, Family Zone has entered into an application provider agreement with Micromax, India’s second largest and the world’s tenth largest device manufacturer.



Micromax delivers some 30 million devices per year and is a leading supplier of youth-oriented and government-purchased Android devices in India.

Family Zone is now in detailed design mode, working with Micromax and Vodafone to design devices and onboarding experiences tailored to the needs of the India consumer. The first Family Zone enabled Micromax device is scheduled for launch early 2019.

Family Zone’s Indian strategy taking shape

A remarkable opportunity

India is undergoing a remarkable transformation across its demography, economy and, as most relevant to Family Zone, in relation to the use of telecommunications and technology.

India is the fastest growing smartphone market in the world¹ and is the world’s largest consumer of data on a per capita basis.

India’s telecommunications industry is unarguably the most dynamic and competitive in the world and with the advent of affordable mobile phones and data, internet use by children and smartphone take-up is exploding.

The Indian government has committed the country to a digital transformation program, which is having far-reaching consequences across government, the economy and in education.

This rapid growth in internet access is helping to bridge the social capital gap between urban and rural India. However, industry leaders have warned that this sudden surge in access will catch the education sector off-guard without further investment in infrastructure for using, monitoring and controlling children’s online usage².

The trends in India are profound and the opportunity set created for Family Zone is enormous and worthy of immediate acceleration.

Family Zone’s Indian strategy

Given the scale, dynamics and opportunities of India, Family Zone is pursuing a comprehensive approach to the market to ensure it is able to source local capital and talent and secure government support.

Accordingly, Family Zone’s strategy is holistic; covering consumer, telco, devices and education. These segments have been shown in Australia to overlap and complement each other creating synergies and improving customer acquisition costs.

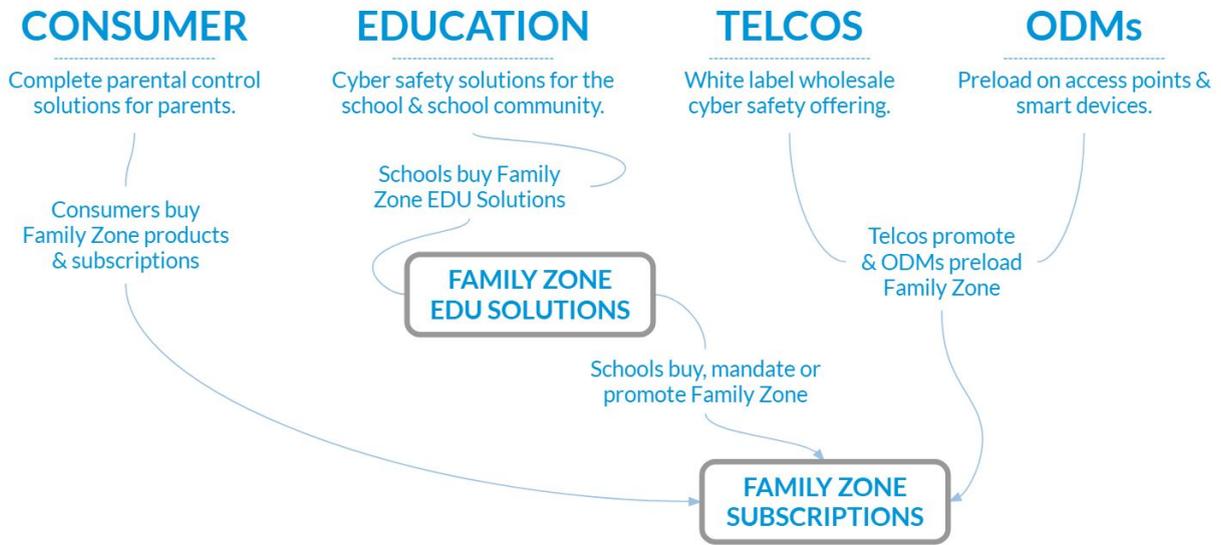
¹ <https://www.telecompaper.com/news/india-is-the-fastest-growing-smartphone-market-study--1231750>

² <https://www.youthkiawaaz.com/2018/02/the-advent-of-technology-in-education-opportunities-and-caveats/>

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World-first universal approach



Through its relationships in India and with Fidelio Partners, the Company seeks to execute its Indian and global expansion strategy with appropriate relationships and resources.

The Company's approach to commercialisation in India is establishing a replicable template for rolling out Family Zone in other material markets.

Status | Rapid progress

Family Zone is well advanced in planning and positioning the Company in India with meaningful telco, corporate and government relationships. The Company is working to an aggressive strategy with commercial launches planned for February 2019.

Telcos

Family Zone has secured a reseller distribution deal with Vodafone, the largest telco in India, representing 45% of the 1.1 billion mobile phone users in India. Vodafone service more than ten millions child smartphone users which represents an addressable opportunity of some US\$130 million per year (at contracted net revenue shares).

Discussions are ongoing with a number of other India carriers which offer the prospect of a country wide approach.

The Company has agreed with Vodafone a go-to-market strategy. This has been developed based on research conducted in country, in Australia and learnings from Family Zone's trials in Asia.

This research has validated the scale of the market opportunity and has determined a clear pathway to subscriber acquisition and monetisation. This will be updated to the market in an upcoming release.

ODMs

As announced on 29 May 2018, Family Zone has entered into a partner arrangement with Micromax, India's second largest manufacturer of smartphones.

Under this arrangement Micromax will:

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- Preload Family Zone into their handset range;
- Deeply embed Family Zone to eliminate violation;
- Embed set-up in device wizards to improve customer experience;
- Support telco payment options; and
- Support promotion to carrier.

Micromax is a leader in low cost smartphones for the youth and government sectors in India. Accordingly opportunities exist and are being developed with Micromax across consumer devices, enterprise and government.

Since announcing the agreement with Micromax Family Zone has been working on integration and market analysis and product design across enterprise, education and Government opportunities.

Education

Family Zone is in advanced discussions with major Indian schools. This work is aimed at understanding their needs and planning for “proof of concepts” for Family Zone.

These discussions have led to supportive and encouraging conversations with the Indian Ministry of Education. Family Zone is working towards a longer term plan for obtaining ministry endorsement.

Hotspot providers

Family Zone is in advanced discussions with a number of internationally renowned food & beverage chains in India. The concept being discussed is to enable Family Zone powered safe WiFi zones in their facilities. These WiFi zones will enable Family Zone devices to connect seamlessly and prompt parents to register accounts and new devices. The broader objective of this work is to support our Indian telco partners to promote their cyber safety options and to influence Government and the media.

Corporate

From a corporate perspective the Company has recently established a corporate entity, appointed local advisors, engaged a local business development executive and sought to extend arrangements with its sales partners Fidelio Partners (see below).

Fidelio Partners

Our agreement with Vodafone India was facilitated by our Singapore based telco sales agent, Fidelio Partners. Fidelio Partners was appointed prior to our IPO and operates on the basis of performance based equity compensation. The exceptional performance of Fidelio has encouraged the Company to extend these arrangements on materially the same terms to cover our Indian expansion. Both Vodafone and Idea Cellular, being categorised as Tier 1 telcos, are covered by these arrangements. Under these arrangements Fidelio may be entitled to up to 2,479,110 shares in the Company subject to achieving shareholder approval and the equivalent of \$1 million of annualised revenue from these carriers. All share based compensation payable to Fidelio is subject to approval by Shareholders which if not obtained will be payable as a cash.

Agreements referenced in this announcement

Service and Content Provision Agreement between Family Zone and Vodafone India

Content and Services Agreement fully executed and stamped with Vodafone India Limited (VIL). This agreement replaces a Term Sheet confirmed to the market in May 2018. Agreement covers all India. Family Zone is not precluded from offering services to other carriers in India. Each party has limited termination rights. Inter alia the agreement covers commercial and payment terms and a support service level agreement.



Disclaimer; materiality and projections

We are unable to forecast the potential revenue from either of these agreement or their financial materiality. The Company however considers this to be strategically important given the Company's Indian commercialisation strategy.

About Family Zone

Family Zone is an ASX-listed technology company focused on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed a unique and innovative cloud-based solution which combines Australian innovation with leading global technology.

To learn more about the Family Zone platform and the Company please visit www.familyzone.com.

For more information, please contact:

Tim Levy
Managing Director
timl@familyzone.com
+61 413 563 333

Tim Allerton
City Public Relations
media@familyzone.com
+61 412 715 707

Tim Dohrmann
Investor Relations
tim@nwrcommunications.com.au
+61 468 420 846

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APPENDIX: INDIA

India At a Glance

India is a large and exciting market for Family Zone, offering scale and the full spectrum of opportunities including wholesale consumer services and educational offerings.

The upside potential of India is enormous. India is the world's fastest growing major economy, has more Facebook users than any other country and has a rapidly expanding middle class, already exceeding 250 million.

The Indian population are conservative, religious and well educated. Whilst there are many languages and dialects, English is pervasive and research demonstrates a growing focus and concern around cyber safety and educational outcomes.

The Indian schooling system is immense, with some 1.5 million schools, teaching over 260M students.

INDIA AT A GLANCE

Population	1.3 bn
Children (5-14)	252 m
Adolescents (15-19)	100 m
Youth literacy	90%
GDP growth	6.7%
Facebook Users	241 m
Mobile services	1.18B
Children with mobiles	60%
Schools	1.5M
Students	260M
Secondary Students	65M

Use of the internet and smartphones by children in India

India has the fastest growing middle class in the world and consequently has the world's fastest growth in internet and device use among children.

Mobile phone penetration among children now exceeds 80% with 11% (representing more than 30M children) using smartphones. This proportion is growing rapidly with the roll out of low cost mobile data networks and handsets³.

Research confirms that world-wide concerns of parents are mirrored and similarly growing in India:⁴

- Disclosing personal information;
- Troubles with interpersonal relationships and bullying;
- Being able to track the location of children;
- The exchanging of inappropriate images;
- Accessing inappropriate sites and apps;
- Cost of the bills; and
- Overuse / screen-time.

Research conducted by McAfee identified that more than half of the Indian parents have discovered that their child had visited an inappropriate website. This was highest percentage when compared to 13 other countries including Australia (26 per cent), Brazil (45 per cent), France (41 per cent), the US (37 per cent) and the UK (23 per cent).⁵

Accordingly Indian media are now frequently covering concerns around internet usage by monitors.

³ <https://www.gsma.com/publicpolicy/wp-content/uploads/2012/03/Childrensuseofmobilephones2011.pdf>

⁴ <https://www.gsma.com/publicpolicy/wp-content/uploads/2012/03/Childrensuseofmobilephones2011.pdf>

⁵ <https://economictimes.indiatimes.com/news/politics-and-nation/more-indian-children-visiting-inappropriate-websites-survey/articleshow/58385339.cms>

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Why India should make online child safety a priority

There is enough evidence to show that the Internet and social media play a part in the radicalization of children and youth as they are vulnerable to cyberbullying, online sexual abuse and exploitation

The Parental Control Market in India

The Indian cyber safety & parental control market is estimated to generate around \$450M of revenue per year. The industry is dominated by on-premise products (ie school network filtering) with on-device and consumer segments growing most rapidly.

The market is however growing fast. It's estimated to be growing at over 13% per annum and is predicted to grow to \$1.25BN by 2025.

The key factor driving estimated growth is adoption of smartphones by children ⁶.

Government Digitization of Indian Schools

Launched in 2015, Digital India is a personal campaign of Prime Minister Narendra Modi to drive advancement of the Indian society. Under the program, Government services are required to be made available to citizens electronically. The initiative consists of three core components:

1. Development of secure and stable digital infrastructure
2. Delivering government services digitally; and
3. Universal digital literacy.

In the past 12 month's the Indian Government has been putting increasing emphasis on and investment into the digitisation of the education sector. For example in the 2018 Education Union budget the government proposed move from the "black board" to the "digital board".

The Indian educational landscape is fast-changing with technology gripping the nation in an unprecedented fashion. ⁷

Just like all markets, as the use of technology expands in the classroom and playground, the needs of schools and parents to monitor and manage technology use is compounding ⁸.

⁶ Indian Parental Control Market Forecast To 2025, Orian Research 2018.

⁷ <https://inc42.com/resources/technology-indian-education/>

⁸ <https://www.youthkiawaaz.com/2018/02/the-advent-of-technology-in-education-opportunities-and-caveats/>