



December 6, 2006

USA Technologies Issues Letter to Shareholders

Malvern, PA, December 6, 2006 -- USA Technologies (OTCBB: USAT) issued the following Letter to Shareholders today:

Dear Shareholder:

Since I [last wrote to you in July](#), USA Technologies has announced record revenue and gross profit for fiscal 2006, and again for the first quarter of fiscal 2007, ended September 30, 2006. In November we announced the largest single e-Port® sale in the Company's history with MasterCard, which between hardware and network service fees is expected to result in revenue of nearly \$4 million.

In just five months the Company has experienced its most exciting period of growth and expansion to date, "Creating Value Through Innovation?" - for our customers, business partners and shareholders. And some of our growth is in the form of recurring revenues, not only driven by hardware sales, but by installation and monthly service fees. As we expand our installed base, our recurring service fees will further increase, providing a stable and predictable source of revenues.

Demand for our leading edge technologies, skills and services is growing rapidly because they meet and deliver what the global marketplace wants and needs today. And already we are designing new technologies to meet the demands of tomorrow. Our e-Port is designed to accept payment by Near Field Communications (NFC) enabled cellular phones, the next wave in contactless payment. Click to see our [G6 e-Port accepting payment via a cell phone](#).

Successive Record Business Results

We closed fiscal year 2006 on June 30th, recording revenue of \$6.4 million, a 37% increase over the previous year. Gross profit was \$2 million, a 68% increase. The growth was primarily attributed to rapidly increasing sales of the e-Port and EnergyMiser® product lines.

Three months later we announced a record first quarter ended September 30 to kick off fiscal year 2007. Revenue totaled \$2 million, an increase of 47% over the corresponding period of the prior fiscal year. Gross profit was \$615,536, up 95%, and gross margin improved to 31%. e-Port revenues totaled \$909,000 for the quarter, an increase of 159% over the same quarter last year. The strong results were influenced by the launch of the e-Port Generation Six (G6), our cashless and contactless payment solution for vending machines integrating new radio frequency (RFID) contactless card capability with magnetic-swipe card technology.

"Creating Value Through Innovation?" Results in Historic Customer Wins

We are "Creating Value Through Innovation" by rapidly evolving our e-Port product line to meet emerging market trends. The multi-functional G6 represents the finest in creativity and leading edge technology for the unattended point of sale market. This product takes all forms of cashless payments, card and contactless, not only for the vending marketplace, but for the unattended point-of-sale industry. We accomplished the task quickly and efficiently, responding immediately to market dynamics. Our speed and technology leadership have led to recent historic customer wins, with more landmark opportunities under development and in the pipeline.

Our technology expertise led to MasterCard installing our e-Port G6 technology in 1,000 Coca-Cola vending machines in Philadelphia and surrounding tri-state area. In the past few weeks it resulted in the historic contract with MasterCard for rapid deployment of an additional 5,000 G6 e-Ports in vending machines, point-of-sale terminals and kiosks in another 12 cities across the United States by February 15, 2007. Both rollouts represent the two biggest deployments of cashless technology in the industry, and across the nation. Click to see our [G6 e-Port using the new contactless credit card](#).

The self-service POS industry is largely untapped by cashless payment companies. There are more than 30 million vending machines worldwide, representing a business in excess of \$100 billion. MasterCard is among the first major card companies to break into it.

Bank of America, one of the world's largest financial institutions and card issuing banks, is using our e-Port in a program to evaluate RFID cashless payment devices. The bank has installed the e-Port G6 in vending machines located in bank buildings, and employees are making purchases using everything from traditional magnetic-swipe credit cards, to key fobs, contactless "tap and go" cards, and cellular phones equipped with the latest NFC wireless technology. And interest in our e-Port cashless and wireless technology is spreading globally. We unveiled the G6 in Paris in November at CARTES 2006, the world's largest trade show for the credit card industry. It was showcased by two of our global business partners.

Helping to drive adoption of the newest e-Port has been our ability to deliver great value to customers for less. Not only have we improved the technology, but we have lowered the manufacturing cost and our retail prices significantly, allowing our customers to realize an even faster return on their investment.

Survey Supports Growing Sales Success

The fourth annual quantitative survey of the small payments market conducted by Ipsos Insight and Peppercoin released at the 2006 Micro and Small Payments Conference in New York City last week helps explain why e-Port and e-Suds sales are accelerating in the first five months of this fiscal year.

The survey reported that more than 67 million Americans used a credit or debit card to make a purchase of less than \$5.00 in November. Forty-two million used a card to purchase coffee or a beverage, while 26 million paid for subway tickets and tolls. The same survey found that 42 million Americans were willing to use a card when making a purchase from a vending machine. Thirty-two percent purchased a coffee or beverage at least six times, and eleven percent purchased coffee or a beverage more than 20 times. Fifteen percent purchased items from vending machines and kiosks with their cards at least six times.

These surveys confirm that consumers are willing to use credit or debit cards to buy soda, coffee and snacks, or pay tolls if the option is available. The data also demonstrates that merchants, card issuers, vending machine operators, and providers of cashless transaction technology will benefit from giving consumers more opportunity to use their cards and other cashless payment methods, and it's reflected in our recent business successes.

Further Business Highlights

Following are additional highlights of our business success over the past six months:

Government Customers: We are working with the Commonwealth of Pennsylvania to help implement an energy conservation program to install EnergyMisers in vending machines and glass-front coolers located in government buildings and the private sector state wide.

We are working with the Arizona State Government to install VendingMiser on vending machines in General Services Department buildings. The Arizona Department of Administration says it plans to install more in other government buildings to help meet Governor Napolitano's goal to significantly reduce energy consumption in government buildings and lower greenhouse gas emissions by Arizona's centennial in 2012.

Installs of our EnergyMiser products are accelerating in federal, state and local government buildings. The Denver Federal Building recently converted its vending machines, and we are working with two major local government utilities in northern and central Florida.

The City of Tucson, Arizona, is also installing EnergyMisers on vending machines throughout the city.

These deployments come after 15 cities in the Los Angeles South Bay area installed EnergyMiser in vending machines across the region, and plan to install thousands more in 2007.

U.S. Coast Guard: The U.S. Coast Guard in San Francisco and Oakland recently installed VendingMiser technology on vending machines across both bases. It followed installations at Coast Guard bases in Hawaii, and we have targeted more Coast Guard bases in 2007.

Defense Forces: EnergyMisers were installed at Fort Hood Army Garrison, in Texas, the largest military base in America, and at the Hawaii Army National Guard, in Honolulu. They followed installations at the Adjunct General's Department, Texas; the Texas Air National Guard; Burnsville Air Force Base; the U.S. Naval Academy; the Naval Exchange Service; and the Naval Base Coronado and San Clement Island base, California. We are also in negotiations with the U.S. Navy for further base installs in the US, including Great Lakes base in Illinois.

USAT Rebate Program: The Wisconsin Focus on Energy became the 24th State energy utility to join the USA Technologies, EnergyMiser® rebate program, offering rebates ranging up to \$45 for VendingMisers and SnackMisers. Meanwhile, the Silicon Valley Power utility, already participating in the program, is extending its rebates ranging up to \$120 for VendingMisers and CoolerMisers for another 12 months. We have plans to expand the program in 2007.

e-Suds? Deployment: We embarked on one of our largest summer e-Suds online laundry service installations at six new colleges and universities. The e-Suds service is now operational in 21 universities and colleges nationwide with several installations planned for the upcoming holiday break.

PC Express® "Nomad?": We launched the first self-contained roving business center on wheels at the New York International Hotel, Motel and Restaurant Show where it was a finalist in the prestigious Editor's Choice Award, sponsored by the International hospitality media. This mobile, public-access, on demand personal computer, can be connected to the Internet by wireless, is activated by credit card, and is powered by electricity or battery. Click to learn more about the [PC Express "Nomad"](#).

USAT Capital Corporation: We launched the USAT Capital Corp, LLC, a financing subsidiary that allows customers to acquire our products through rental or lease purchase financing. The LLC has a commitment from a large financial institution to purchase its rental or lease purchase contracts.

EnergyMiser® Conversion Program: To help vending machine owners and operators capitalize on the new ENERGY STAR Rebuilt Refrigerated Beverage Vending Machine Program sponsored by the EPA, we launched the VendingMiser Conversion Program, a package of services to help upgrade vending machines to meet ENERGY STAR standards. There are four million installed refrigerated vending machines in the U.S. alone, and approximately 200,000 are refurbished and remanufactured each year. Our VendingMiser VM2IQ can help bring those 200,000 machines up to ENERGY STAR compliance. It's a significant incentive that will drive sales of the "internal" VM2IQ.

When I last wrote to report on progress, I indicated that coming quarters and fiscal 2007 would be the most exciting for USA Technologies, and that I would share with you the reasons why. I have listed many of those reasons, and we anticipate that many more are coming. I believe that we have reached an inflection point in the Company's growth and expansion.

Rich Pipeline of Future Business

We are demonstrating that our technology is, and will continue to play a key role in the new paradigm for unattended commerce, in energy conservation, and in the hospitality and laundry business. Major global and household brand names have recognized our product line, and are installing it. More expect to go operational soon.

As calendar 2006 draws to a close and as we enter 2007 we hope to announce more exciting projects and programs with new customers in a variety of exciting businesses, and with new partners to expand our market reach. We plan to enter new markets and launch more new products that further enhance the consumer's purchasing experience, strengthen our technological leadership and, most importantly, reinforce our mission to "Create Value Through Innovation."

I would like to wish you and your family a happy holiday season and to once again thank you for your support this year. Calendar year 2007 is expected to be a very exciting year for the Company and its shareholders.

Sincerely,



George R. Jensen Jr.
Chairman and Chief Executive Officer
USA Technologies, Inc.

Statement under the Private Securities Litigation Reform Act:

With the exception of the historical information contained in this release, the matters described herein contain forward-looking statements that involve risk and uncertainties that may individually or mutually impact the matters herein described, including but not limited to product acceptance, the ability to continually obtain increased orders of its products, the ability to meet installation goals, economic, competitive, governmental impacts, whether its pending patents will be granted or defensible; validity of intellectual property and patents of USA, the ability of USA to license its patents, the ability of USA to commercialize its developmental products, technological and/or other factors, which could cause actual results or revenues to differ materially from those contemplated by these statements.