



July 26, 2006

USA Technologies Issues Letter to Shareholders

MALVERN, PA, July 26, 2006 - USA Technologies (OTCBB: USAT) issued the following Letter to Shareholders today:

Dear Shareholder,

We are in the first month of the first quarter of our new fiscal year, and early indications point to record sales in the first quarter 2007. We are focused on achieving profitability and building a rapidly growing enterprise with exciting new products. There is so much business underway that we believe this is the beginning of the most exciting growth period in USA Technologies' history, and there are many reasons why.

Historic MasterCard/Coca-Cola Contract

It started with the historic contract with MasterCard to deploy 1,000 G6 e-Ports in Coca-Cola vending machines in Philadelphia, the first city selected. The 1,000 vending machines are being deployed this quarter. MasterCard is delighted with consumer response, so too is The Philadelphia Coca-Cola Bottling Company. This is a landmark contract and we have never been more excited.

[MasterCard chose our e-Port®](#) to accept its PayPass "Tap & Go" contactless card payment technology to break into the \$44 billion US vending industry.

In Coca-Cola and MasterCard we are yet again teaming with global industry giants, redefining the marketplace, driving new consumer trends, and delivering what consumers want -- ease, speed, and convenience.

MasterCard and Coke have recognized that the vending industry is an extraordinary cashless opportunity. Consumers want to use credit cards at vending machines, and for small transactions. Our own surveys show that the average vending purchase is approximately 50% higher when consumers can use their credit cards. Based on our surveys, cashless vending leads to increased sales and MasterCard and other card companies are working with us to capture the opportunity.

Contactless - Card of the Future

There are already 10 million contactless cards in the marketplace. Contactless cards are the cards of the future, and the e-Port G6 is the only product in vending to accept not only MasterCard's PayPass, but all forms of contactless card payment, including American Express' ExpressPay, Chase Bank's Blink, and Visa's Contactless. We have the market covered with our technology, and protected with patents.

We have a range of e-Port products that respond to every vending need and price. Our e-Ports will accept traditional mag-stripe, the new contactless payment system, and cash. And we added the latest radio frequency (RFID) capability without increasing the price.

Consumers want to be able to use their credit and debit cards because of its speed, security, and convenience. For owners and operators it's expanding and opening up new business opportunities and revenue streams. We are seeing our e-Ports open up entirely different market opportunities. Our customers are vending everything from traditional drinks and snacks, to higher priced items such as cellular phones, office equipment, gourmet food, automotive parts, t-shirts, beauty items, golf balls, and shredding services.

With e-Port and our USALive® Network, we are giving vending machine operators the ability to operate their machines with more convenience to consumers resulting in higher revenue, plus data to run their business better from our USALive Network. Their competitiveness is growing as their business grows.

Wall Street Journal Breaks the News

After [The Wall Street Journal first broke the news](#) of the MasterCard contract, the story was quickly picked up by major media across the United States, including approximately 50 television stations. "[Cashless transactions have the potential to increase the vending industry's sales exponentially.](#)" reported an editorial in the Automatic Merchandiser, one of the most influential news sources in the vending industry. CBS Television focused on how Philadelphia had become the [first city in the nation to be selected for cashless vending](#). American Banker, a leading financial service daily, reported that advocates of contactless technology claimed authorization was much faster than mag-strip cards, making it an excellent replacement for cash.

Biggest Summer e-Suds? Deployment

This summer we embarked on our biggest installation of e-Suds online laundry services in the company's history. The installations involve Blackboard Inc., the Nation's leading provider of software and services to the education market. Blackboard has become an e-Suds reseller, adding e-Suds to its product line to offer to the hundreds of academic institutions that use its Blackboard Transaction System?. Also involved is Coinmach, the biggest laundry business in the US with over 800,000 machines, and Caldwell and Gregory, a provider of Maytag Laundry equipment.

e-Suds will be installed in a dozen more universities nationwide to serve hundreds of thousands of new students. e-Suds is already in 15 universities and colleges, linking 2,800 washers and dryers to the Internet, including Rutgers University, Goucher College, Case Western University, Temple University, and American University. This summer we are installing e-Suds to serve another 3,000 machines. The value of the installations is in the hundreds of thousands of dollars and the campuses are mainstream and among the biggest in the US.

Campus administrators are ordering e-Suds because it leads to new business and increases customer satisfaction. Students enjoy it because it takes the drudgery out of doing laundry and frees them up to better utilize their time. The online laundry business has huge potential. There are an estimated 1.3 million washers alone in America, with more than 700,000 located on college and university campuses.

Our e-Suds team has been very busy and we will keep you posted on new developments as they occur.

Growing Global EnergyMiser Business

News is equally exciting in our EnergyMiser energy management business. With the energy crisis in America showing no sign of easing, we are seeing accelerating interest in our full EnergyMiser product line.

EnergyMisers are in growing demand the world over. We are shipping EnergyMisers to Australia, Denmark, Italy and Canada. We recently stepped up our consignments to Canada where the cost of energy is steadily increasing, and we are responding to a growing number of inquiries from China, Japan, The Philippines, Spain, Germany and the United Kingdom.

Pepsi has purchased and is installing nearly 20,000 of our VendingMisers, and we are working with Pepsi in connection with other important customer accounts.

Retail stores and supermarkets, large and small, are feeling the pain of higher prices and increasingly are turning to EnergyMisers to lower their energy costs and needs. We are in negotiations with a growing number, including several large subsidiaries of customers we already supply.

PC Express® Driving Hotel Success

Our new wall-mounted PC Express continues to draw the hospitality industry's interest and business. PC Express sales have already totaled nearly \$550,000 less than six months after it was first launched. This amazing new product is exceeding our expectations. Many hotels are replacing their payphones with the PC Express, which gives users instant access to the Internet with the swipe of a credit card.

We celebrated two Business Express® sales milestones in the last quarter - the sale of the first 70 PC Express terminals, and closing on installing more than 100 Business Express business centers with one of America's premier audio visual services companies, and both are growing.

We are installing our Business Express business centers in the leading hotels, most recently in the Marriott, Hyatt and Westin chains. Once again our leading edge product line is creating value through innovation, redefining industries, expanding markets, and growing revenues.

Dramatic Recognition of Product Leadership

Last week the MasterCard PayPass deployment in Philadelphia with Coca-Cola Philadelphia earned USA Technologies [unprecedented publicity in major media](#), including The Wall Street Journal, CNN, CBS, NBC, FOX and Reuters, and we were among the headlines in all the major vending machine, wireless, banking and card company magazines.

It was dramatic recognition of our product by some of the world's most influential media. These reports and articles are building on USA Technologies' reputation and image as a industry leader in all the markets we serve, whether card payment technology, energy management, business center services, or online college laundries.

USA Technologies is working with household brand names such as MasterCard, Coke, Pepsi, Sony, Albertsons, Blackboard and many more. They are choosing our technology to change the marketplace, grow their business, and improve customer satisfaction. Our leading edge technology is in step with the trends. We have unique products and services. We have 65 patents granted and 28 pending. In today's global networked world, patent protection is critical. And nowhere is this more important than in the \$44 billion vending industry. MasterCard and other card companies consider vending the latest cashless opportunity, and they are choosing our technology to break it open. It started with the deployment of 1000 cashless vending machines in Philadelphia, and we expect more cities will follow.

This month, this quarter, this fiscal year will be the most exciting for USA Technologies. I've listed some of the reasons why. In the weeks and months ahead we will share more of the reasons with you as they unfold, and there are many.

Sincerely,



George R. Jensen Jr.
Chairman and CEO
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.