



September 29, 2005

USA Technologies Issues Letter to Shareholders

MALVERN, PA, Sept. 29, 2005 - USA Technologies (OTCBB: USTT) issued the following Letter to Shareholders today:

Dear Shareholder:

I [recently wrote](#) to you regarding sales growth and momentum in our Company, and an impressive backlog in orders. Since then, much has happened, and I wanted to take a moment to update you on progress.

As I indicated to you previously, sales of all four of our key product lines have been increasing. In fact, as we now enter the second quarter of our Fiscal Year ending June 30, 2006, we do so with great enthusiasm, and with all indicators pointing to the next three months being the best sales quarter in the Company's history.

E-PORT® CASHLESS VENDING

For those who read our regulatory filings, you likely noticed that late yesterday we filed an 8K indicating the Company entered into a one-year agreement with one of the largest credit card associations pursuant to which the Company will utilize its e-Port® technology and related network in order to allow beverage vending machines to accept payment through the use of contactless credit cards. Under the agreement, the Company is selling its e-Port® terminals to the payment solutions company, and will receive its customary payment for hardware, network service fees and in addition will receive consulting fees from the payment solutions company. The Company anticipates that among other things, the agreement could result in additional machine locations and enhanced relationships with important current and future customers. Further details will be announced through a joint statement that the parties will make in the near future.

This important agreement has placed the Company squarely in the middle of new payment technology being rolled out to millions of US consumers. Contactless RFID credit and debit cards are already being used at some movie theaters, quick serve restaurants and drug stores, and now, in vending machines. The card associations consider the \$40 Billion vending market one of the last major opportunities for growth of cashless transactions, and believe that contactless RFID technology could help accelerate the vending industry's adoption and use of cashless payment. We believe this to be an important milestone for our Company.

Additionally, I referred in my last report to activity with two of the largest vending operators in the US. In this regard, the Company recently announced e-Port's® compatibility with ScanPlus, ARAMARK's proprietary stored-value card. The e-Port®/ScanPlus integration now enables college students to purchase snacks or beverages from vending machines using their student ID card in addition to commercial debit and credit cards and cash. ARAMARK has installed the e-Port cashless technology in the vending program at the University of North Carolina Greensboro and intends to install it at Wake Forest University and anticipate future installations at other ARAMARK-managed campuses nationwide. ARAMARK Education, Dining Services provides dining service management to over 400 colleges, universities, and preparatory schools across North America.

MISER PRODUCT LINE

If you recall, in my last update, I shared that PepsiCo placed an initial order of \$810,000 on behalf of one of its customers to help reduce the cost of running vending machines in its customer's stores. Now, I am pleased to report that we have shipped to Pepsi bottlers from coast to coast, and they are in the midst of installing VendingMisers in the locations of that Fortune 50 retailer. We are anticipating further orders from PepsiCo, with other retail chains and beverage companies expected to quickly follow its lead. Additionally, and unrelated to the above, the Company recently secured a contract for the sale of \$425,000 of its Miser products. With the cost of energy and electricity skyrocketing, we expect to continue to see increased interest from Corporate America in our energy management solutions.

E-SUDS

I revealed in my previous note on e-Suds that based upon orders in place, by the end of this quarter, e-Suds was expected to have over 2,000 additional connections to our USALive network. We succeeded, and during the quarter ending September 30, 2005, 2,000 additional laundry machines and dryers have been connected to the Company's e-Suds system as planned. The Company generates revenues from sales of the e-Suds hardware, and receives recurring monthly service fees for all washers and dryers connected to USALive. The e-Suds systems were installed at various colleges and universities, including approximately 1,000 connections at Rutgers University, and the balance at Temple University, American University and others. The new e-Suds product is off to a great start in penetrating the 1.3 million estimated commercial laundry machines in the US market - approximately 700,000 of which are located in colleges and universities.

BUSINESS EXPRESS®

This product has posted two consecutive years of record sales, and is on pace to do so for a third year running. New products such as the Business Express Mini are fueling additional interest and sales.

The team at USA Technologies is squarely focused on its goal of driving the Company's revenues -- and reaching profitability during this fiscal year. Fiscal year 2006 will be our "break out" year. Revenues are being driven by our momentum and leadership position in our four key product lines as outlined above: e-Port® cashless products and services, Miser line of energy management products, e-Suds® for commercial laundry and Business Express®.

And we have also taken action to reduce our manufacturing costs through product design and recent offshore production, and as a result, our product margins are increasing. We expect product margins to be approximately 50% for this fiscal year, a dramatic increase vs. previous margins.

In fiscal 2005, we generated nearly \$5 million in revenue. By the end of the current calendar year, we expect monthly sales to be on an annual run rate of \$12 million, with the expectation of continued quarterly sales growth leading to positive cash flow generation in calendar 2006.

These are just some of the reasons why we are confidently expecting a record quarter and a record fiscal year. In addition, the independent IT research firm, Investology, recently published a favorable report on USA Technologies. The entire 21 page report is available by clicking [here](#).

We thank you for your support as we work hard to grow our Company.

Sincerely,



George R. Jensen Jr.
Chairman and CEO
USA Technologies, Inc.