



August 3, 2005

USA Technologies Chairman/CEO Issues Letter to Shareholders

MALVERN, PA, August 3, 2005 -- USA Technologies' (OTCBB: USTT) Chairman and CEO, George R. Jensen, Jr., today issued the following letter to update shareholders on the Company's recent progress.

Dear Shareholder:

The entire team at USA Technologies is excited by the recent sales growth and momentum in our key product lines, the strong Fiscal Year 2005 fourth quarter close, and the \$1.4 million plus backlog in orders, all of which gives us reason to expect record revenue growth in fiscal 2006.

Not only did sales of all four of our key product lines increase during the 2005 fourth quarter as compared to the 2004 fourth quarter, but it gives us great pride to report we are the industry leader in energy management for commercial appliances, in cashless transactions for vending, in networked commercial laundry services, and in automated business center services. According to the Nilson Report, USA Technologies had a commanding lead in cashless vending products and services, conducting 90% of all credit and debit card transactions in the industry. Further, Nilson predicted that one-half of the 8 million US vending machines will accept credit cards by 2009. Additionally, we have no known competitors in sales of energy management products for existing vending machines and coolers - a market with tens of millions of potential locations worldwide.

Only last month, beverage leader PepsiCo. took a giant step towards energy management, placing 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. [Click here](#) to read the 8K filing done by the Company regarding this transaction. (PDF)

And we're anticipating further orders from PepsiCo, with other retail chains and beverage companies expected to quickly follow its lead.

Based upon orders in place, by the end of this quarter, e-Suds? is expected to have over 2,000 additional connections to our USALive network. These 2,000 new connections, along with e-Port® and Business Express® connections are generating growth in monthly recurring service revenue for the Company.

This recent progress, together with the \$1.4 million plus backlog in orders, gives us reason to expect accelerated sales growth for fiscal year 2006. Our business has never been healthier, our product line has never been stronger, and we have never been more competitive. Our profit margins are now approximately 50 percent compared to 21% just one year ago.

But there's more, including a growing list of high-profile programs that we expect should drive revenue gains in fiscal 2006. They include:

- The Company has begun installation of energy products with a second Fortune 50 retailer - and in this case - on vending machines and glass front coolers.
- USA Technologies is currently shipping e-Port to two of the largest vending operators in the US - and we expect an escalated degree of activity with both during this fiscal year.
- USA Technologies is currently involved in strategic activities with the major credit card associations related to contactless, cashless vending - an exciting 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, but up until now, not in vending machines. The card associations consider the \$40 Billion vending market a major opportunity for growth of cashless transactions, and believe that contactless RFID technology could help accelerate the vending industry's adoption and use of cashless payment.
- Finally, the Company is engaged in multiple negotiations for the sale and distribution of its products, licensing of IP, and other business opportunities which are expected to impact fiscal year 2006 revenues.

Over the years, we have invested millions of dollars developing our proprietary products, services and technology. The Company has 63 patents granted, and 25 pending. Our products are unique, industry leading, and importantly, in demand. As

such, we believe the Company is positioned to capitalize on three global mega trends that are driving the economy.

- A worldwide crisis related to energy production, demand and cost.
- The emerging networked economy.
- Cashless revolution with non-cash purchases out pacing cash purchases.

The team at USA Technologies is squarely focused on its goal of driving the Company's revenues - and reaching profitability during this fiscal year. We will keep you updated with our plans, opportunities and most notably, successes.

In the meantime, 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.