

TSN UPDATE
INVESTMENT in TSI INDIA

Highlights

- **ATM installment base crosses 1,300 ATMs**
- **New 100+ ATM placements for Punjab National Bank (“PNB”)**
- **New regulatory guidelines under consideration**
- **Increased debit card issuance**
- **Initiation of Coverage by Independent Investment Research**

The Directors of Transaction Solutions International Ltd (“TSN”) are pleased to provide the following operations update on its investment in TSI India.

Punjab National Bank (“PNB”) request further ATMs: 100+ ATM Opportunity

As an extension to the existing PNB - TSI India ATM outsourcing agreement, TSI India has been given authority to assess 5 new areas (sectors) in North India for new ATM placements for PNB. Whilst TSI India are permitted and may place a larger number, currently over 100 ATM site locations have been identified and work has begun to secure these new locations.

TSI India has also recently completed its renewal contract with PNB. The renewal contract is valid for a further 3 years and allows TSI India greater flexibility in security measures as well as greater flexibility in ATM placements and relocation of under-performing ATM placements.

Addressing costs

With pressure on margins within the Indian ATM sector, TSI India has implemented a number of strategies to reduce costs and increase revenues. One element of margin pressure has been a national ATM sector trend of lower transaction volumes over the previous year. This is typically being caused by an overbalance of the number of ATMs placed in an area with the expectation that with growth in debit card issuance transactions volumes will increase. It is expected that should debit card growth, combined with the Finance Ministry policies towards bank automation, remain aggressive, the requirement for the ATMs will be necessary to facilitate the increasing demand.

Some of TSI India’s cost saving initiatives includes better internal controls and processes in areas such as: in-house monitoring for power management of sites; more efficient analytical and technical site sourcing; and implementation of electronic surveillance versus manned surveillance. These automation efforts are designed to have a positive impact on margins whilst allowing TSI India to differentiate itself with Banks by supplying cost saving measures to their existing networks.

This automation is focused on allowing TSI India to deploy more ATMs in a shorter time frame, with the expectation that winning larger Bank ATM contracts will require a more rapid deployment schedule.

Regulatory

The Reserve Bank of India (“RBI”) and the Finance Ministry remain committed to the expansion of electronic financial transactions in India and the development of financial inclusion and access to banking for all of India’s 1.2 billion population.

As such, the Finance Ministry directive to all public sector banks to have at least 1 ATM per branch provides TSI India with a significant opportunity.

Discussions between the private and public banks and the RBI include the potential increase in interchange fees up from 15 rupees; whether manned security is required at ATMs; and how free transactions are accounted for between each bank. These discussions are temporarily influencing the pace of ATM deployment for some banks that are waiting on a final decision by the regulators prior to making further ATM deployment commitments, whilst others are continuing with deployment as demand requires.

TSI India expands its pipeline of opportunities with major banks in India

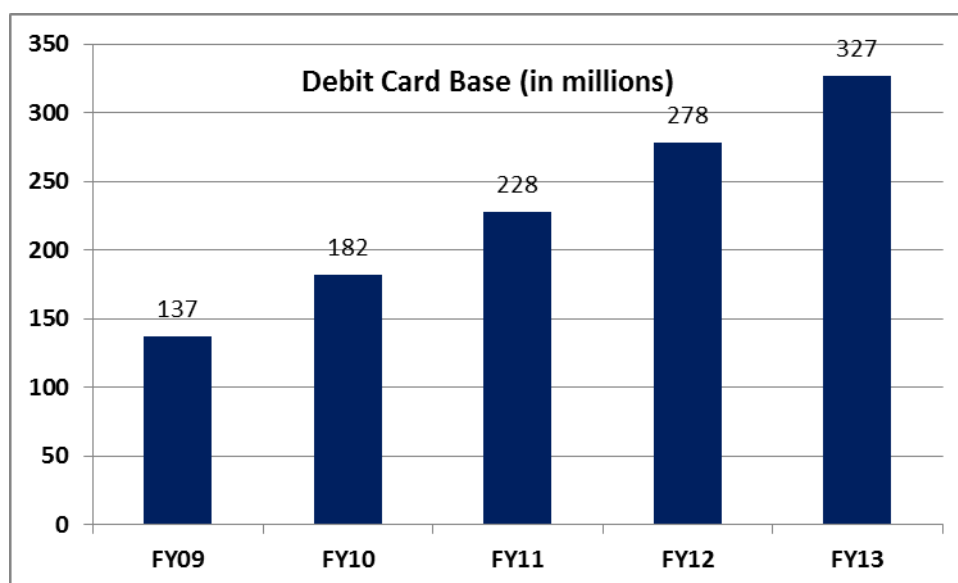
Since the finalization and receipt of Tranche 1 funds from its Indian investor, the management of TSI India has been active in increasing its pipeline of commercial discussions to over 20 banks and remains in discussions with a number of these for ATM outsourcing projects.

These discussions range from advanced to developing stages of dialogue and TSN remains confident of the ATM growth prospects for the TSI India business.

This level of confidence is supported by a combination of the cash available ready to execute multiple new contract wins; the Indian Finance Ministry’s desire to continue to push more Indians into main stream banking; and the statistical results of the Indian card payment market.

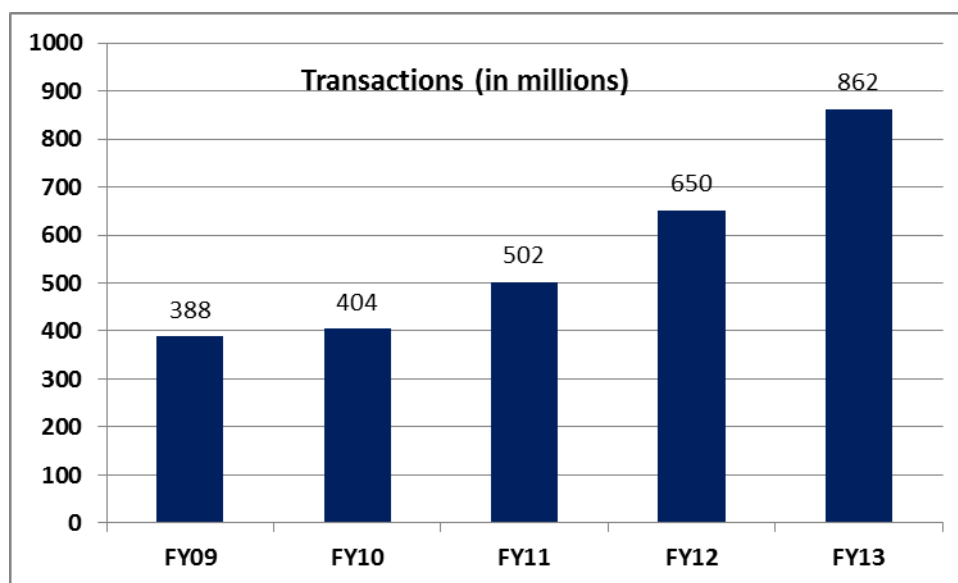
Statistics related to ATM growth

A recent report from ATOS Worldline provides a number of favourable statistics relating to the Indian ATM sector. Debit cards have continued to grow at the aggressive pace seen during the past five years as illustrated in the chart below from the report.



Source: RBI, AWL Estimates

Further, the total number of transactions and spend on both debit and credit cards has shown strong growth with a 33% increase over 2012. Debit card transactions have grown at a CAGR of 38% in the 5 year period from 2009-2013, as indicated below.



Source: RBI, AWL Estimates

Based on the above information, TSI India remains well positioned for growth in the Indian ATM market.

Whilst risk and challenges exist in all businesses, inflation, regulatory and continuing fluctuations in transaction volumes across bank ATM networks may adversely impact TSI margins. However, TSI India believe continued cost reduction initiatives will assist in addressing margins as the business and ATM market expands.

TSI India has started implementing video monitoring/surveillance of ATM sites to reduce guard numbers and costs for both the bank and TSI India. Of 170 sites identified, 92 sites have already been installed with video surveillance equipment and guards (man power) removed. There is potential cost saving of approximately 20% in guarding costs per site by providing this system over guards.

Additionally, discussions to the renegotiate the fee per transaction revenue paid by the banks are ongoing.

Relationship with TSI India's new institutional investors

The relationship between the TSI India management, TSN as consultants and its new institutional investors is progressing well, with a number of new ideas and initiatives already agreed and implemented for operations and back office processing. The benefits from increases in operational efficiencies are expected to become apparent as TSI India secures more contracts for expansion and grows its ATM network.

Summary of TSN's investment in TSI India

TSI India has significant cash available ready for the deployment of additional ATMs and an active pipeline of expanded Bank relationships. Whilst typical Indian ATM business challenges exist focused on inflation and margins, the business is taking appropriate action and remains well positioned in a very exciting and rapidly growing market.

New opportunities for TSN Australia

TSN continues to review and critically assess new opportunities for the Company. Discussions have taken place in relation to some IT payment application and platforms that may be suitable for the Indian market, as well as some early preliminary discussions outside of the I.T. sector. A number of opportunities show potential and investors will be kept informed if a decision is made to proceed.

Initiation of Coverage

To provide a candid and independent view of the ATM market in India and TSI India's Indian operations, TSN has provided an independent research report which can be found on TSN's website at <http://tsnld.com.au/investor-relations/news-and-asx-announcements/news/>

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About Transaction Solutions International

Founded in 2005, TSI India's business is a rapidly growing bank ATM deployment and E-transaction financial services business based in India. Operational in India since 2006 the company now has in excess of 1,300 ATMs fully operational and generating revenue.

The company's business model is to build recurring revenue through the deployment of ATMs as well as service the financial payments sector through automation of bill payment processes, in a market that is migrating from paper based to electronic transactions.

TSI India owns, manages and operates its financial hardware and systems, in return for a fee per transaction. This recurring revenue model assists TSI India in producing a business model that is highly scalable.

TSI India has agreements with a number of national companies including major banks, utilities and corporates. It is these corporations (not consumers) who form TSI's customer base, and from who TSI receives its revenues.

Supported by the strong infrastructure and business platform built over the last 6 years, and a leading market reputation the business is now scalable by the installation of new ATM's and building on the recently introduced bill payments capability. Barriers to entry in the sector are high with regulatory and banking approvals required. TSI India has successfully overcome those barriers, as reflected in its growth profile and the increasing demand for its ATM outsourced business.