

ASX announcement

10 February 2017

Novatti and Transaction Solutions International signs cooperation agreement regarding e-payments to Indian market

Highlights

- Novatti Group Limited and Transaction Solutions International Limited (TSN) to work together to seek to enter into a formal agreement to establish a range of mobile and alternative payment services designed for the Indian market.
- Large market opportunity as the Indian economy is going through a transition period and moving away from traditional cash based transactions.
- TSN has extensive relationships with financial institutions and networks in India.
- Novatti has wide-ranging experience in deploying financial services technologies in emerging and developed markets
- A formal agreement will focus on revenues based on transaction fees which are recurring in nature

Novatti Group Limited (ASX: NOV, “Novatti”) and **Transaction Solutions International Limited** (ASX: TSN) are pleased to announce that a Novatti subsidiary and TSN have entered into a non-binding Memorandum of Understanding (MOU) or co-operation agreement to seek to negotiate a formal agreement in good faith to establish and develop a range of mobile and online payment services designed specifically for the Indian market. The term of the MOU is for 120 days.

Any formal binding agreement established will focus on seeing the companies (and any relevant subsidiaries) work together to provide Indian consumers with access to an extended range of electronic payment products and services at a time when India’s growing banking system needs rapid modernisation.

In November 2016, the Indian Government moved to withdraw all 500 and 1,000 rupee banknotes in an attempt to crack down on corruption and counterfeit currency. Nearly 40% of India’s economy is driven by small and medium enterprises, most of which are largely run on cash transactions and the ban has left many looking for alternative systems. (Footnote: <http://www.reuters.com/article/us-india-modi-corruption-idUSKBN1331WT>)

It is envisioned that the services offered through a concluded Novatti/TSN agreement will include:

- An agent based payments and collections network;
- Bill payment aggregation and a cash pickup remittance network;
- Digital wallets; and
- Additional mobile banking, branchless banking and cash collection solutions

By any concluded agreement, Novatti will provide its innovative mobile and alternative payment technologies, which includes consumer digital wallets, mobile money, electronic bill payments and remittance services. Novatti's services are designed to empower consumers who have little or no access to traditional banking facilities.

Novatti has extensive experience in providing financial transaction services in emerging and developed markets, such as Malaysia where it offers financial transaction and bill payment services via a network of over 10,000 agents through a joint venture in that country.

"The Indian market presents an enormous opportunity for Novatti and TSN is an ideal partner as they have an established presence and extensive relationships and knowledge of the Indian financial system. These relationships, combined with our knowledge and experience in deploying financial transaction solutions in emerging and growing markets will provide our business with an ideal platform to break into this lucrative market" **said Peter Cook, CEO of Novatti.**

TSN's Managing Director, Gary Foster, said: "In the past few months, TSI India has been instrumental in recalibrating over 12,000 ATMs for public sector clients in India, following the Modi Government's decision to withdraw all 500 and 1,000 rupee banknotes. In the months following the withdrawal of the banknotes TSI India typically observed over a 150% uplift in transactions at most ATMs that were live. We will have to wait and see if transactions stabilise at these new levels, however, arguably it shows us that the Bank ATM channel is a highly valuable distribution point for Indian Banks.

An increased demand for alternative payment and cash options was also apparent, leading the decision to partner with NOV across a broader range of products and services, in order to expand TSI's product offering as a fully integrated transactions solutions provider in India.

We are pleased to be able to work with the Novatti team and implement robust payment technology. The Novatti team has spent time in India with the TSI India management team in assessing real opportunities. The feedback from the Indian banks that have been approached for specific product offerings has been encouraging. Over the coming months we will be working towards implementation of a number of selected programs specific to the Indian market".

The Company will inform the market of any material developments concerning this proposed transaction.

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About Novatti Group Limited

Novatti is an award-winning global software technology and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallets, Electronic Top-Ups, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti's transaction processing services include Flexepin, an open-loop cash voucher service and TransferBridge, a global remittance network.

About TSN and TSI India

Transaction Solutions International (TSN) was founded in 2005 by current directors, Paul Boyatzis and Gary Foster, Australian nationals with considerable experience in the financial services industry. Based on their knowledge of financial markets in more developed countries, TSI India was formed to take advantage of the opportunity to create shareholder value by creating scalable operations in the field of e-transactions and payments within India. TSN and its subsidiaries hold a 24.89% equity interest in TSI India.

At the time of entering India, TSI India was first to market with its unique recurring revenue outsourcing model, focussed on partnering with Banks to increase the size of its bank branded ATM network.

Today, TSI India remains firmly entrenched in the e-transaction sector. With the implementation of recent agreements, TSI India will become one of the largest operators of ATMs in India, with approximately 14,000 ATMs under management along with its automated Bill Pay solutions for utility companies.