

11 November 2016

ASX ANNOUNCEMENT AND PRESS RELEASE

OPERATIONS UPDATE

- **TSI India reports strong Q2/17 performance:**
 - ATM transaction volumes for the quarter exceed 130 million;
 - Revenue for the quarter of INR 606 million (~AU\$12m);
 - Both transaction volumes and business revenues showed strong Quarter-on-Quarter (QoQ) growth, 5.7% and 2.34% QoQ respectively;
 - **ATMs business continues to benefit from increased size of operations and economies of scale:**
 - 600 additional ATMs deployment under approval;
 - SREI ATMs roll out continues, with deployment now underway in 6 Indian states;
 - Discussions initiated for deployment of 2,000 ATMs covering Public Sector Banks, Private Banks, and White Label ATM operators;
 - Active discussions for potential management rights or buy-out of entire PSU Bank of 8,000+ ATM network;
 - **E-surveillance solutions now live in multiple banks:**
 - TSI India has completed deployment at 300+ sites for Andhra Bank;
 - Secured order of 185 sites with new client Kotak Mahindra Bank;
 - Advance discussions with 2 private sector banks for 300+ units;
 - **Bill Pay business continues to progress well with Phase I deployment completed for the Punjab Power State Electricity Board and additional orders secured in the Madhya Pradesh region during the quarter;**
 - **TSI India expands partnership with BTI Payments Pvt Limited for integrated power solution product; and**
 - **Due diligence of TSI India underway with BDO Advisory (WA) Pty Ltd now engaged to assist in the process; no conclusion can be drawn at this stage in relation to an outcome.**
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Transaction Solutions International (“TSN” or “the Company”) (ASX: TSN), is pleased to provide the following operations update by Indian-focussed Automatic Teller Machine (ATM) and electronic payment and financial services company, **TSI India**. TSN and its subsidiaries hold a 24.89% equity interest in TSI India. Please note that TSI India operates on a March 31st year end.

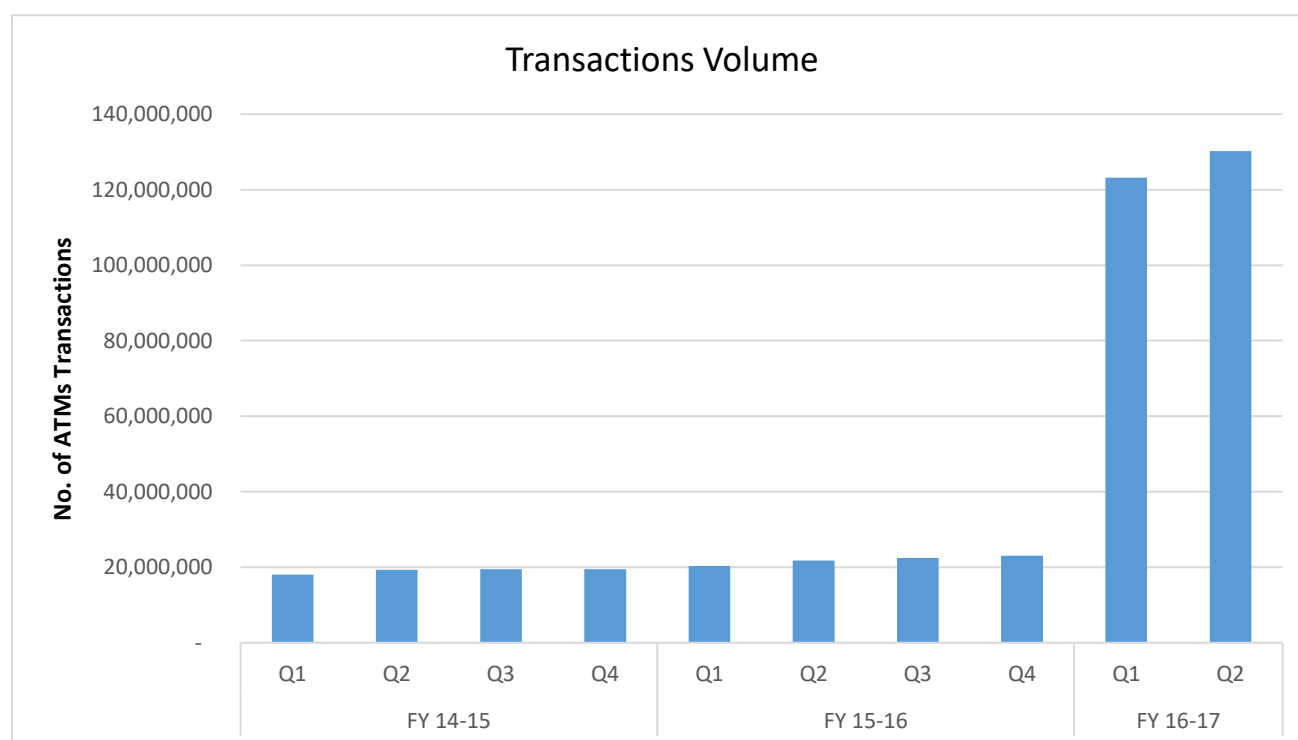
Strong growth in both ATM Transaction Volumes and Revenues

TSI India’s increased size in operations from 2,000+ ATMs to 14,000+ ATMs in Q1/17 has continued to be a catalyst for experiencing strong transaction volume and revenue growth. To monetize on the trends of increases in transactions during the Q2/17 quarter, TSI India has kick-started the approval process with a majority of its bank clients for the re-deployment of an additional 600 ATMs, currently in the warehouse.

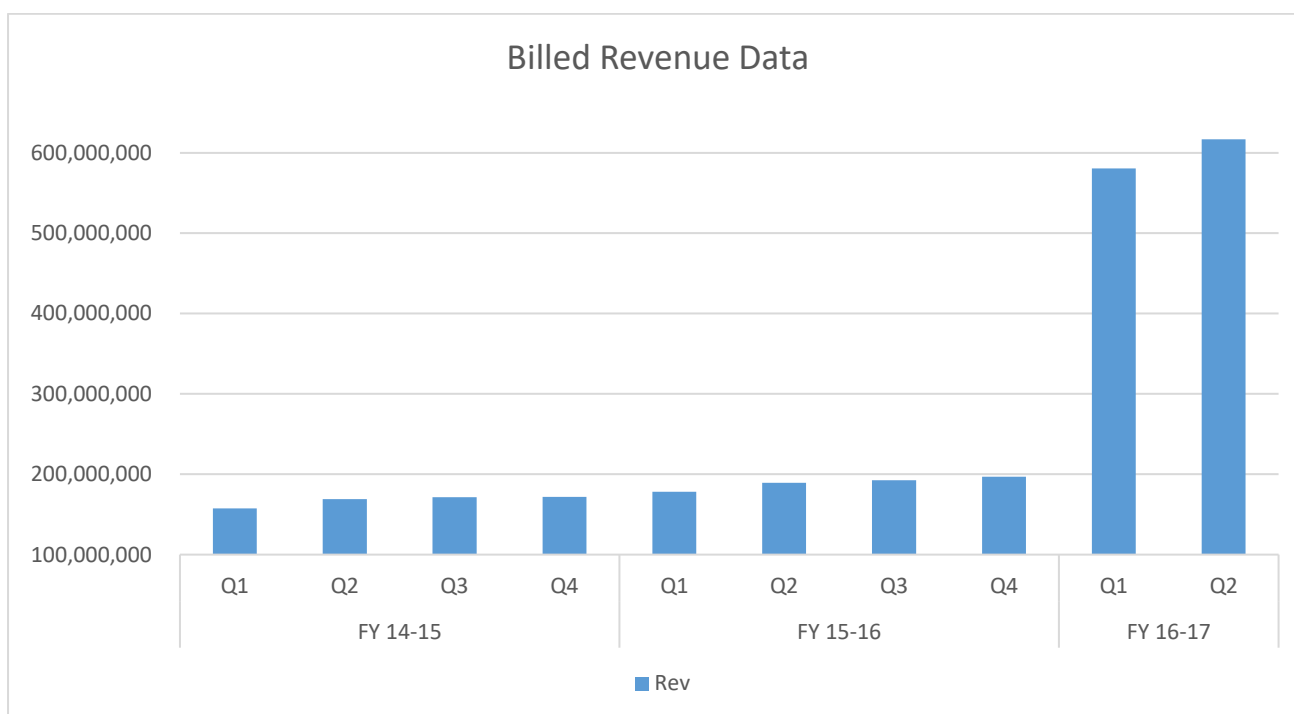
The SREI Infrastructure roll out continues to proceed, with deployment now underway in 6 Indian states.

Mohnish Kumar, TSI India’s CEO, said the *“Transaction trends in Q2/17 are very encouraging and gives a promising outlook for the coming quarters. Q2/17 is typically a relatively weak quarter compared with the current quarter, given many festivals in India fall within Q3. This trend also validates our investment hypothesis in the Mphasis deal that was effected at the beginning of the year. The increase in revenue and successful cost optimization initiatives have helped in posting a more than 200% increase in Q2/17 earnings before depreciation, finance costs and one-off items as compared to Q1/17.”*

- **Transactions Volume have increased by 5.7% from Q1’17 to Q2’17;**



- TSI India's Business revenues have increased by 6.27% from Q1'17 to Q2'17 but due to unbilled provisioning in Q1 reflected as 2.34% in the P&L;



TSI India – Leveraging Scale and Enhanced Capability

The TSI India team has successfully progressed new initiatives to leverage the newly acquired platform's scale and capabilities. Some of the key initiatives are:

- unified operations for existing ATM business units. TSI India has benefited from the implementation of a unified Human Resource and operations department; and
- unified sales team across all product offerings to increase cross selling potential; the team has seen tangible benefits of this introduction wherein a client (HDFC) has been successfully pursued for relocation of sites and upward revision of transaction rates.

Next Gen E-Surveillance Solution

TSI India has developed its own in house proprietary e-surveillance solution for protection and security purposes at ATM sites. TSI India is positioned to target various customer segments on value and price. This market leading e-surveillance product has now been installed at multiple ATM sites of existing customers, providing enhanced features to asset owners. The solution is modular, scalable, and customisable to the client's requirements depending on perceived levels of risk at different ATM sites. The basic solution is suitable for low risk areas, whilst for high risk areas the premium solution is recommended and includes additional features such as eye ball monitoring and transaction overlay. All solutions are capable of being integrated with the TSI power management solution.

TSI India continues to demonstrate the operational success of the solution and intends to aggressively seek new clients and sites for the implementation of the solution. The target segment for the solution is not only Bank's ATMs but also Bank's branches and retail outlets. Customers benefit from the deterrence of theft attempts, holistic views of ATM sites to promote cleanliness, two-way communication channels from the ATM to the security headquarters and the reduction of high costs inherent to manned sites.

Furthermore, the solution enables banks to reduce their turnaround time when investigating unusual events and transactions by increasing the speed with which they can receive images and videos. The e-surveillance solution is expected to replace the current system in place where engineers must physically extract the image or video from the site which is time consuming and ineffective. TSI India is positioned to significantly reduce the problem of ATM security faced in the market.

The overall solution can be monitored remotely, either through event based monitoring via sensors and alarms or through eyeball monitoring, whereby the site is monitored continuously for all movements within legitimate zones.

TSI India signs 185 ATM site deal with Kotak Mahindra Bank.

Confidence in the e-surveillance solution is validated by Kotak Mahindra Bank, a new customer of TSI India, who will begin installing the solution at their 185 ATM sites. Mohnish Kumar, TSI India CEO, said the *“Kotak Mahindra Bank order is very significant for us as our solution was benchmarked with existing market leaders and we beat the competition on technical capability as well as price of the solution. We continue to invest in new technologies to ensure that we can better leverage the 30+ bank relationships that we have.”*

Power Management

TSI India has successfully commissioned, installed and operated a proprietary power management system. The rising cost of power and high maintenance costs of assets, such as air conditioning, have promoted TSI India to introduce the system. The power system is remotely managed through a central platform and can track, monitor, recognise and react to unusual power usage increases, such as excessive use of air conditioning on days where it isn't required. The system in this case can remotely shut off or reduce the air conditioning thereby reducing power consumption.

The system has been further enhanced to provide the capability of putting the ATM site shutter down at a designated time at night and pulling the shutter up at a designated time in the morning. The system is currently under pilot for one of the large public sector banks in India, allowing the bank to secure the site from unauthorised access when located in high risk areas where transaction volumes are low during the night. TSI India believes the system will greatly help banks reduce the costs of manpower which otherwise they would need to deploy to perform the function manually.

Integrated monitoring and ticketing system: Unique in the industry

TSI India has received an in principal approval from BankTech India known as BTI (White Label Operator) to create an integrated solution for monitoring devices such as Power back up solutions and digital video recorder monitoring. Further, the Company plans to create incident tickets on the existing managed services platforms currently used by TSI to monitor the ATMs of BTI. TSI India is pleased to introduce this first of a kind solution to industry. It enables one platform to view all the assets at a given site and one platform to generate tickets, act, and create an audit trail all in one system. The solution is expected to be rolled out across 3,500 TSI India managed ATMs.

The solution is expected to reduce the downtime of the ATM and ensure timely action and delivery to the equipment manufacturers to rectify issues, with the result being less transactions lost, due to unavailability of a single platform for monitoring ATM and non-ATM assets at a site.

Bill Payments

TSI India received a new order from Madhya Pradesh State Electricity board for an additional 164 machines. The utility company has shown confidence in TSI's capabilities and is looking to deploy these during the current financial year.

In the meantime, for Punjab Power, the team has successfully completed installation of 50 bill payment kiosks out of the total order of 200 machines.

Additional Growth Opportunities

TSI India is well positioned for continued growth in the industry with active business pipelines of both organic and inorganic opportunities subject to fundraising. Besides the organic opportunity to deploy approximately 2,000 additional ATMs, TSI India has formally initiated discussions to deploy 8,000+ ATMs of public sector banks on management rights or buy-out basis. TSI India has created a unique business model of ATM outsourcing with the recent deals covering 11,000+ ATMs.

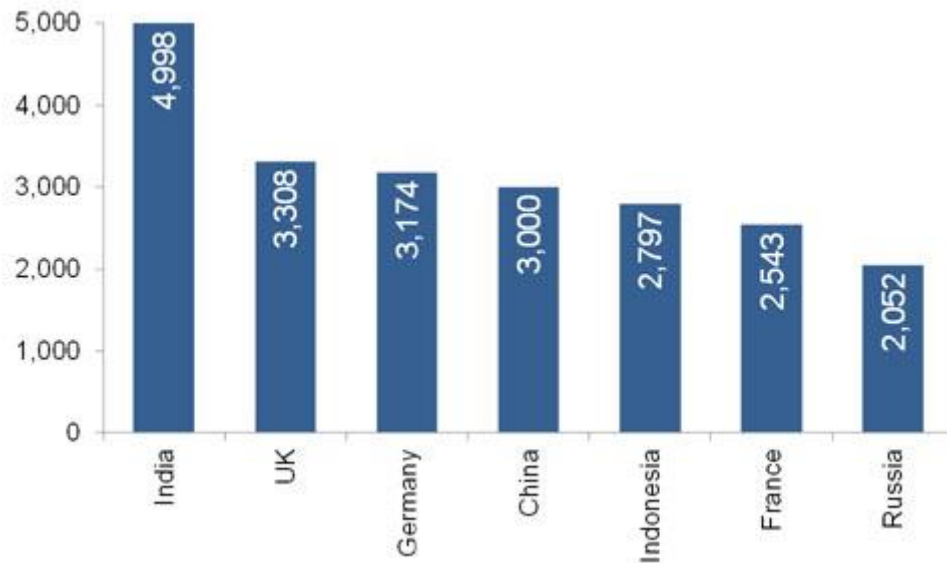
Improving Market Dynamics

TSI India believes a shift in market dynamics are also to thank for continuing growth in transaction volumes and revenues. TSI India is pleased to be in a position where it can grow and benefit from this shift in market dynamics.

In a report from the specialist ATM research and consulting firm, Retail Banking Research ("RBR"), the value of cash withdrawals from ATMs in eleven major Asia-Pacific markets have increased by 50% since 2011. India has experienced increased cash withdrawals of more than 15% in 2015 alone. Furthermore, the highest growth in number of customer visits per ATM was experienced in the Indian sub-continent according to *ATM Hardware, Software and Services 2016*, a report by RBR.

According to Robert Chaundy, who led the RBR study: *"Consumer behaviour varies widely across Europe and Asia, but the demand for cash remains strong, and can be driven upwards by economic uncertainty. The runaway growth seen in many Asian markets is set to continue for the foreseeable future, and the key challenge for banks there is getting enough ATMs installed to deliver cash to their customers."*

- Average number of cash withdrawals per ATM per month in major European and Asian markets, 2015



Source: ATM Hardware, Software and Services 2016 (RBR)

Recent Regulatory changes

The following are extracts from Reserve Bank of India (“RBI”) directives:

1. *The Government of India has withdrawn from immediate effect (midnight of November 8, 2016) the legal tender character of the existing and any older series banknotes in the denominations of Rs 500 and Rs 1000 and replaced them with a new Rs 500 and Rs 2000 notes. As such, dispensing of these Old High Denomination (OHD) banknotes by banks through their ATMs has to be stopped from midnight of November 8, 2016.*
2. *To ensure customer convenience, banks are also advised to provide all cash withdrawal transactions at their ATMs free of cost to their customers till 30 Dec 2016. It has also been decided that banks may fix a limit of Rs.2000/- per day per card withdrawal limit at ATMs, for all their customers, till November 18, 2016. The limit will be raised to Rs. 4,000 per day per card from November 19, 2016 onwards.*
3. *Cash Withdrawal from a bank account, over the counter would be restricted to Rs. 10,000 subject to an overall limit of Rs 20,000 in a week for the first fortnight, i.e. until the end of business hours on 24th November 2016.*

In light of the above changes, TSI India senior management views a **positive impact to ATM transaction volumes**. Part of the reason for this view is that prior to the regulatory changes, a bank ATM customer using its own Bank ATM would be able to withdraw 20 to 40 notes in a transaction covering denomination of Rs 500. Post this regulatory change, to withdraw the same amount the customer needs to execute 5-10 transactions with lower denomination of Rs 50 and Rs 100. In addition, a daily withdrawal limit per day per card of Rs 4000 (~AU\$85) is also in effect. With cash withdrawals at bank branches limited to Rs 20,000 per week, the next best alternative available to a customer to access cash without any charge is only at the ATM.

Summary

Overall, the opinion of the Indian management team is that the macro economics are favouring its business, for example, the financial inclusion agenda of the government like Jan Dhan Scheme, Direct Subsidy Transfer and now the scrapping of old high denomination notes.

Despite the increasing penetration of online and mobile payment, cash in circulation in the Indian economy has continued to grow. Indian currency in circulation has grown at ~12% CAGR as advised by the RBI.

TSI India is focused on growing further business revenue lines in areas such as e-surveillance whilst concurrently taking advantage of ATM market opportunities that meet the financial requirements of the business so as to ensure that the business mix remains healthy, diversified and continues to grow revenues.

Costs are always under review and certain cost optimization initiatives have been implemented to improve margins. The TSI India business is cash flow positive and transactions and revenues continue to see increased growth.

TSN looks forward to providing further information as it comes to hand.

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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.