

eServGlobal Limited (eServGlobal or the “Company”)

H1 FY2014 Interim Results

Core business EBITDA profitable
Revenue increase of 24%
EBITDA of A\$34.3m, increase of >100%
HomeSend joint venture launched with MasterCard

Paris: 30 June 2014

eServGlobal (AIM:ESG & ASX:ESV), the provider of end-to-end mobile financial services to emerging markets, is pleased to announce results for the six month period ended 30 April 2014 (“H1 FY2014”).

Financial Highlights

- H1 FY2014 revenue increased by 24% to A\$16.9m (£9.3m¹) (H1 FY2013: A\$13.6m)
 - Solid recurring revenue (45% of total revenue)
 - No over reliance on any particular Group or geography
- H1 FY2014 EBITDA reported profit of A\$34.3m (£19.0m)
 - Core business adjusted EBITDA² of A\$0.9m (£0.5m) showing a significant improvement over H1 FY2013 (loss of A\$0.7m)
 - Gain on sale of HomeSend business and assets of A\$33.9m (£18.7m)
- Total costs in H1 FY2014 of A\$16.0m, approximately 6% lower year-on-year in Euro terms
- Profit per share was 8.2 cents (A\$) (H1 FY2013: loss per share of 1.1 cents)
- Healthy cash balance of A\$11.6m reflecting receipt of proceeds of A\$8.2m following the closure of the HomeSend Joint Venture with MasterCard and BICS (the “HomeSend JV”) and the issuance of 4,500,000 new ordinary shares raising a total of A\$3.4m net of expenses.

Operational Highlights

- Strong organic growth in the core business driven by both new customer wins and expansions within existing customers. Core business solutions now in more than 65 customer sites in over 50 countries.
 - Customer footprint includes presence in four Tier-1 operator groups (Zain, Orange, Ooredoo and Vodafone), reducing customer concentration and providing geographic diversification.
 - Continued progress within the Zain Group following the framework announcement in 2013.
 - New project won with financial institution in West Africa for end-to-end mobile money solution.
 - New projects announced in Nepal, Bangladesh and Armenia.

1. Average exchange rate over the period was 0.5518 GBP to AUD
2. Excludes gain on sale of HomeSend business assets, non-recurring items, foreign exchange gains, share based payments and loss attributable to associate resulted in a net loss of A\$0.4m (1H FY2013 net gain of A\$0.4m)

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- The HomeSend gobal payment hub joint venture with MasterCard and BICS successfully closed on 3 April 2014, taking the international money transfer platform to its next level of worldwide expansion.
- MoneyGram signed a global agreement with HomeSend for international mobile money transfer.

Current trading and outlook

- Following a number of project wins in FY2013 and H1 FY2014, the Company has a strong pipeline of work with new and existing cutomers, both traditional mobile operators and non-traditional financial institutions, which is expected to convert to revenues in H2 FY2014 and FY2015.
- Revenue backlog of A\$4.8m (H1 2013: A\$2.5m).

Paolo Montessori, Chief Executive Officer and Managing Director, commented:

“Today’s results demonstrate that eServGlobal is a market leader. Our core business is profitable, has a strong pipeline of work and a substantial base of customers worldwide.

“Our technology addresses a clear and current problem, the lack of access to bank accounts for a vast section of the global population. Through our domestic mobile financial services solution, we are working with operators and financial service providers across the globe to bring safe, convenient and cost-effective financial offerings to their users in emerging markets.

“The creation of the HomeSend JV is a significant milestone for eServGlobal, for the HomeSend solution and for the global payments space. Through our participation in the JV, we will play another key role in the shift to digital financial services by providing an open, neutral international money transfer hub.

“The success that we have achieved in H1 FY2014 will ensure the Company is well positioned to continue to lead in this exciting market.”

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Introduction

eServGlobal is a leading technology provider, built on innovative solutions which anticipate the needs of a rapidly growing mobile financial services market. The Company is underpinned by a strong balance sheet, ongoing revenue growth and EBITDA profitability.

The first six months of the 2014 financial year saw eServGlobal consolidate its position as a leader in the dynamic and expanding mobile money space. The core business is profitable, has a strong, visible recurring revenue stream (45% of total revenue), an established and growing customer base and a suite of products which are ideally suited to meet the needs of a growing market segment.

The HomeSend JV with MasterCard and BICS was successfully closed on 3 April 2014 and the global payment hub business is now operating independently with the support of all JV partners.

The Company's H1 FY2014 revenues have increased by 24% yoy to A\$16.9m (H1 FY2013 A\$13.6m), resulting in EBITDA of A\$34.3m (£19.0m). A gain on sale of the HomeSend business contributed A\$33.4m (£18.7m) to H1 FY2014 EBITDA. The core business recorded an EBITDA profit of A\$0.9m (£0.5m), showing a significant improvement over H1 FY2013 (loss of A\$0.7m).

These results demonstrate that the ongoing efforts to build a strong, sustainable business have now come to fruition. eServGlobal is well positioned as a leader in the mobile financial services domain, supported by a suite of sophisticated mobile payments solutions, a solid customer base and a network of blue-chip partners such as MasterCard and Wincor-Nixdorf.

Operational review

eServGlobal core business: domestic mobile money services

eServGlobal's core business consists of an end-to-end suite of mobile money and mobile financial services for emerging markets. In countries where traditional financial services are unable to reach substantial sections of the population, the ubiquity of the mobile phone is enabling the creation of new financial ecosystems.

The global mobile payments space is diverse and evolving. While in developed economies, mobile payment initiatives are competing to find a way to add value to the existing financial infrastructure, in emerging markets there exists a real opportunity, a problem which is in need of a solution. eServGlobal sets itself apart from other players in that it addresses a demand which exists today.

In H1 FY2014, eServGlobal has announced projects in Nepal, Bangladesh and Armenia (the relevant media releases are available on the corporate website). The Company has also won a deal with a financial institution in West Africa which consists of an end-to-end mobile money solution. The financial institution already has a banking licence for the country and wants to launch a fully featured mobile wallet solution including P2P transfers, government disbursements, payments at merchant terminals, companion cards and international money transfers. The service provider was referred to eServGlobal by HomeSend, demonstrating the continuing benefits that HomeSend brings to the core business. The project is expected to launch later in 2014.

Following the new wins throughout FY2013 and already in the new financial year, we have a healthy pipeline of ongoing work within the core business, both with the roll-out of solutions for new customers, upgrades and expansions for existing customers and ongoing support services. We have a solid track record of working with our customers for many years. Our solutions are sticky and our customers

regularly need to expand their product offering as their end-users demand additional features, as well as expand the size of their licence as their subscriber base grows. This typical customer cycle allows for a good level of visible recurring revenue within our business (H1 FY2014 - 45% of total revenue).

International remittance: the HomeSend JV

HomeSend is a disruptive mobile to mobile multilateral remittance hub, covering more than 1 billion potential users around the world. HomeSend is now a joint venture of MasterCard, eServGlobal and BICS. The HomeSend Joint Venture creates one of the most comprehensive offerings in the market, and will be an important step in the journey to extending cost-effective and easy-to-use financial services to people worldwide.

By connecting the worldwide community of telecom partners and MTOs to the more than 24,000 financial institutions on the MasterCard network, the HomeSend JV will provide consumers new options and flexibility for sending or receiving funds and enable cross border remittance payments worldwide. HomeSend will enable consumers to send money to and from mobile money accounts, payment cards, bank account or cash outlets – regardless of their location or that of the recipient.

- On 27 March 2014, the Company announced that MoneyGram had joined the HomeSend Hub (the “Hub”). This global agreement means that MoneyGram users in more than 200 countries will be able to remit funds to the mobile accounts of Hub members across the globe. This significant announcement further strengthens the considerable reach of the Hub and demonstrates that traditional MTOs (Money Transfer Organisations) recognise the value of being able to utilise HomeSend to complete the ‘last mile’ and directly connect to mobile wallets in emerging markets.
- On 3 April 2014, the HomeSend JV was closed. MasterCard payment solutions expert, Stephen Doyle, was announced as CEO. The 6-person Board consists of high level executives from MasterCard, eServGlobal and BICS. eServGlobal is represented on the Board by eServGlobal CEO and Managing Director, Paolo Montessori and CFO, Stephen Blundell.
- As HomeSend moves into the next phase of global expansion we are seeing continued increases in marketing efforts by Hub members to their end-users. Xpress Money launched a campaign in June to encourage transfers from the UK and UAE to mPesa, Kenya. Similarly in Australia, mHITS Remit is promoting its service for mobile remittance to GLOBE GCASH and SMART Money in the Philippines, MTN Mobile Money in Ghana, mPesa in Kenya and Telesom Zaad in Somaliland.
- Looking forward, HomeSend aims to be the largest processor of digital remittances to mobile money globally by 2018.
- HomeSend will be seamlessly integrated with the MasterCard network, including MoneySend, allowing a consumer to send or receive via card to and from any HomeSend customer end point.
- Increased Hub participation and driving volume are two key focus areas – top performing mobile money deployments will be prioritized to drive Hub participation

Market review

The growth of domestic mobile money in emerging markets:

- Juniper Research is predicting a surge in mobile wallets to 1.5 billion by 2018, meaning 1 in 5 handsets will have mobile wallet functionality (up from 1 in 10 at the end of 2013). The report highlighted that in emerging markets, mobile wallets are enabling first time financial access for unbanked individuals, anticipating strong growth in deployments in coming years.³

³ <http://www.juniperresearch.com/viewpressrelease.php?id=722&pr=446>

- There are now over 200 million registered mobile money accounts in emerging markets worldwide⁴, however there remains 2.5 billion working-age adults globally (more than half of the total adult population) who have no access to formal financial services.
- The mobile phone remains the obvious method for reaching unbanked people due to its ubiquity, even in emerging economies. The GSMA reports that there are 3.2 billion unique mobile subscribers worldwide.
- The GSMA reports that 70% of existing mobile money service providers are planning to increase their investments in mobile money in 2014⁵.
- In Sub-Saharan Africa there are more than twice as many registered mobile money users, than Facebook users⁶.

The growth in the international remittance market:

- Growth in remittance flows to developing countries, through official channels, is expected to accelerate to an annual average of 8.4% over the next three years, reaching US\$436 billion in 2014 and US\$516 billion in 2016.⁷
- Remittance flows through unofficial channels are estimated to be as high as a further 40% of the total market.
- Predicted market growth is attracting additional players to an already fragmented market, interoperability will be crucial.
- Approx 85% of transfers are cash based, in part contributing to the still high retail costs of remittance services.⁸
- The G8 and the G20 have identified reducing the price of remittances to 5% as a global target, supported by the World Bank Global Remittances Working Group (the "GRWG"). The World Bank states, "*Remittances remain a key source of external resource flows for developing countries, far exceeding official development assistance and more stable than private debt and portfolio equity flows.*"⁹
- Nearly 1 out of 7 people worldwide is either an international or internal migrant.

Product development

In their State of the Industry Report, the GSMA MMU (Mobile Money for the Unbanked) highlighted two key areas for the product growth of mobile money in emerging markets:

- **Mobile Microfinance:** Facilitating microfinance through the mobile phone is being seen as the future of financial inclusion and a key area for the growth of mobile money in emerging markets. Our flagship mobile money platform, PayMobile, embeds advanced microfinance capabilities such as micro insurance, micro savings and micro loans to provide a complete solution in this area.
- **Interoperability:** There are now at least 52 markets in which two or more mobile money deployments are in operation. Interoperability has been highlighted as a critical step-change in the evolution of mobile money and a way of increasing the number of active users. HomeSend is ideally positioned to serve the interoperability needs of mobile money deployments worldwide. The move towards interoperability is now supported by the GSMA through their MMI initiative¹⁰.

Through continued investment in product development, eServGlobal has the capability to service these growing markets and capitalise on the opportunities presented.

⁴ http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/02/SOTIR_2013.pdf

⁵ http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/02/SOTIR_2013.pdf

⁶ http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/02/SOTIR_2013.pdf

⁷ The World Bank, 2014

⁸ Berg Insight 2012

⁹ <http://siteresources.worldbank.org/INTPROSPECTS/Resources/3349341288990760745/MigrationandDevelopmentBrief22.pdf>

¹⁰ <http://www.gsma.com/newsroom/operators-commit-accelerate/>

Financial review

The consolidated entity achieved sales revenue for the period of A\$16.937 million (2013: A\$13.621 million) – an increase of 24.3% due to new customer wins and existing customers extending their mobile money and Value Added Services footprint. The gross profit realised was A\$10.527 million (gross profit margin: 62%) (2013: A\$8.349 million (gross profit margin: 61%)). EBITDA for the period was a profit of A\$34.349 million (2013: EBITDA loss A\$0.327 million).

The net result of the consolidated entity for the half year ended 30 April 2014 was a profit after tax and minority interest for the period of A\$20.548 million (2013: A\$2.539 million loss). Profit per share was 8.2 cents (2013: loss per share 1.1 cents).

During the period, there was a net cash inflow of A\$6.530 million primarily resulting from the receipt of proceeds of \$8.241 million following the closure on 3 April 2014 of the HomeSend joint venture with MasterCard and BICS and the issuance of 4,500,000 new ordinary shares at A\$0.75 generating net cash receipts of A\$3.365 million, offset by a net outflow from operations of A\$4.035 million. Cash at 30 April 2014 was A\$11.570 million.

Outlook

The Board is pleased to report that the pipeline remains strong and the Company is on solid footing for FY2014. The Board is pleased with revenue growth from H1 FY2013 to H1 FY2014 and that the core business is EBITDA profitable. Given our market leading technology, robust financials and strong customer base, we are confident that we are well positioned to continue to benefit from the growth of the mobile money industry in emerging markets.

The close of the HomeSend JV towards the end of H1 FY2014 was a significant milestone for eServGlobal, HomeSend and the wider global remittance market. We are confident that, with the full support of MasterCard, the HomeSend JV is well positioned to dominate the shift to digital in the remittance space.

About eServGlobal

eServGlobal (AIM:ESG, ASX:ESV) offers mobile money solutions which put feature-rich services at the fingertips of users worldwide, covering the full spectrum of mobile financial services, mobile wallet, mobile commerce, recharge, promotions and agent management features. eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements of more than 65 customers in over 50 countries.

Together with MasterCard and BICS, eServGlobal is a joint venture partner of the HomeSend global payment hub, a market leading solution based on eServGlobal technology and enabling cross-border money transfer between mobile money accounts, payment cards, bank accounts or cash outlets from anywhere in the world regardless of the users location.

eServGlobal also builds on its extensive experience in the telco domain to offer a comprehensive suite of sophisticated, revenue generating Value-Added Services to engage subscribers in a dynamic manner.

eServGlobal has been a source of innovative solutions for mobile and financial service providers for 30 years.