

August 14, 2014



Galaxy Gaming Reports Record Q-2 Results

Revenues Increase 27%; EBITDAS Rises 25%; Net Income up 28%

LAS VEGAS, Aug. 14, 2014 (GLOBE NEWSWIRE) -- Galaxy Gaming, Inc. (OTC:GLXZ), the world's largest independent developer, manufacturer and distributor of casino table games and enhanced systems, today announced its financial results for the quarter and the six months ending June 30, 2014.

Financial Highlights

Q-2 2014 vs Q-2 2013

- Revenue of \$2,463K increased 27% or \$519K from \$1,944K.
- EBITDAS of \$987K increased 25% or \$199K from \$788K.
- Pre-tax profit of \$233K increased 86% or \$108K from \$125K.
- Net income of \$109K increased 28% or \$24K from \$85K.

6 months 2014 vs 6 months 2013

- Revenue of \$4,727K increased 23% or \$887K from \$3,840K.
- EBITDAS of \$1,967K increased 23% or \$366K from \$1,601K.
- Pre-tax profit of \$478K increased 72% or \$200K from \$278K.
- Net income of \$261K increased 38% or \$72K from \$189K.

Q-2 2014 vs. Q-1 2014

- Revenue of \$2,463K increased 9% or \$198K from \$2,265K.
- EBITDAS of \$987K increased 1% or \$7K from \$980K.
- Pre-tax profit of \$233K decreased 5% or \$11K from \$244K.
- Net income of \$109K decreased 28% or \$42K from \$151K.

Executive Comments

"Following the best first quarter in our history, we posted our best-ever quarterly results in the second quarter," said Galaxy Gaming CEO Robert Saucier. "The 9% increase in recurring revenues from last quarter marks our 11th consecutive quarterly increase overall. We continue to expand our product lines, increase our footprint into new markets, and solidify our market share in existing markets. All-in-all, not a bad combination for continued success. Our team is dedicated to keeping this momentum going."

Besides the record revenue, recurring growth and positive trends, Company executives discussed the ways they believe Galaxy Gaming may be well-positioned to take advantage of ongoing and favorable industry developments. In the wake of substantial consolidation

among gaming manufacturers, Company executives pointed out the value of being the world's largest independent table game provider. In addition, executives touted the Company's substantial growth into new European jurisdictions in France, Monaco and the Czech Republic. Galaxy added that these international markets are expected to be followed by additional expansion into other key domestic and other international territories.

"We continue to improve on our past successes, as evidenced by our strong organic growth year-over-year and between the quarters," said Gary A. Vecchiarelli, Galaxy's CFO. "Our annual revenue run-rate as of June 30, 2014 is approaching \$10 million, which is the direct result of increased demand for our products from casino operators and players alike."

Mr. Vecchiarelli specifically addressed higher operating expenses, and described it as evidence of the Company's strategic direction and internal focus. "Significant portions of our higher operating expenses were devoted to important investments in our products and our people, including our relocation to a new corporate headquarters four times the size of our previous space. We are already realizing significant benefits and true advantages in terms of both physical space, production capacity and the ability to exhibit our products in the best ways."

Conference Call

The Company will host an investor conference call to discuss its financial and operating results.

When: Monday, August 18th at 1:00pm Pacific Time (4:00pm Eastern)

US/Canada: (888) 505-4368

International: (719) 325-2455

Conference ID: 3397176

Web Presentation: <http://www.galaxygaming.com/investor-relations>

Financial Summary

Revenue. Total revenue for the second quarter increased 27% to \$2,462,529, over the same quarter 2013. Revenue also increased 23% to \$4,727,340 for the six month period ended June 30, 2014 over the same period 2013. Between the first and second quarter 2014, total revenues increased 9%. These increases are primarily due to additional placement of premium games and expansion into new territories. The annualized revenue run-rate as of June 30, 2014 is \$9,845,416.

Operating expenses. Operating expenses for the second quarter 2014 increased 25% to \$1,954,688, over the same quarter 2013. Operating expenses also increased 21% for the six month period ended June 30, 2014 over the same period 2013. The primary drivers of the increase relates to increases in selling, general & administrative expenses. The SG&A increase is generally due to higher sales commissions based on increased sales, an increase in overall employee headcount and non-cash increased stock compensation expense. Between the first and second quarter 2014, operating expenses increased 12%, which included additional expenses related to the move of our corporate headquarters.

Net income. Net income for the second quarter 2014 increased 28% to \$109,377, over the same quarter 2013. Net income also increased 38% to \$260,542 for the six month period ended June 30, 2014 over the same period 2013. The increase was primarily due to significant growth in recurring revenue. Net income decreased 28% between the first and second quarter 2014, to \$109,377. This decrease was primarily due to higher SG&A and tax provision recognized in the second quarter.

EBITDAS. EBITDAS, a non-GAAP financial measure (described below), for the second quarter 2014 increased 25% to \$987,061 over the second quarter 2013. EBITDAS also increased 38% to \$1,966,559 for the six month period ended June 30, 2014. Higher recurring revenues contributed to most of the increase in EBITDAS between the periods. Between the first and second quarter 2014, EBITDAS only increased 1%, due to higher operating expenses.

Balance Sheet and Cash Flow Information

Cash provided by operations was \$1,407,953 for the six months ended June 30, 2014 compared to \$999,657 for the six months ended June, 30 2013. The improvement in cash provided by operating activities was primarily due to the significant increase in total revenues.

Cash used in financing activities was \$1,369,495 for the six months ended June 30, 2014 compared to \$1,135,014 for the six months ended June 30, 2013. The increase in cash used in financing activities was primarily due to the increase in contractual principal payments due on notes payable.

As of June 30, 2014, the Company's cash and cash equivalents totaled \$434,607.

Use of Non-GAAP Measures

Galaxy Gaming, Inc. prepares its consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP"). In addition to disclosing financial results prepared in accordance with GAAP, the Company discloses information regarding EBITDAS, which differs from the term EBITDA as it is commonly used. In addition to adjusting net income (loss) from continuing operations to exclude taxes, interest, and depreciation and amortization, EBITDAS also excludes noncash charges, certain non-recurring charges and share-based compensation expense. EBITDA and EBITDAS are not measures of performance defined in accordance with GAAP. However, EBITDAS is used internally in planning and evaluating the Company's operating performance. Accordingly, management believes that disclosure of this metric offers investors, bankers and other stakeholders an additional view of the Company's operations that, when coupled with the GAAP results, provides a more complete understanding of the Company's financial results.

EBITDAS should not be considered as an alternative to net loss or to net cash used in operating activities as a measure of operating results or of liquidity. It may not be comparable to similarly titled measures used by other companies, and it excludes financial information that some may consider important in evaluating the Company's performance. A reconciliation of GAAP net loss from continuing operations to EBITDAS is included in the accompanying financial schedules.

About Galaxy Gaming

Headquartered in Las Vegas, Galaxy Gaming (www.galaxygaming.com) develops, manufactures and distributes innovative proprietary table games, state-of-the-art electronic wagering platforms and enhanced bonusing systems to land-based, riverboat, cruise ships and online casinos worldwide. Through its iGaming partner Games Marketing Ltd., Galaxy Gaming licenses its proprietary table games to the online gaming industry. The Company is also expanding its global presence through its partnership with WPT Enterprises, Inc., owner of the World Poker Tour.

This press release may contain "forward looking" statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and is subject to the safe harbors created thereby. Forward looking statements are subject to change and involve risks and uncertainties that could significantly affect future results, including those risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. Although the Company believes any expectations expressed in any forward looking statements are reasonable, future results may differ materially from those expressed in any forward looking statements. The Company undertakes no obligation to update the information in this press release except as required by law and represents that the information speaks only as of today's date.

GALAXY GAMING, INC. BALANCE SHEETS

	June 30, 2014 (Unaudited)	December 31, 2013 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 434,607	\$ 438,502
Restricted cash	264,916	244,416
Accounts receivables, net allowance for bad debts of \$34,887 and \$36,770	1,424,018	1,273,797
Prepaid expenses	94,777	34,973
Inventory	313,416	297,480
Note receivable – related party, current portion	18,765	18,212
Deferred tax asset	27,119	27,119
Other current assets	32,767	50,510
Total current assets	2,610,385	2,385,009
Property and equipment, net	271,883	44,952
Products leased and held for lease, net	106,018	85,883
Intangible assets, net	16,067,379	16,811,511
Goodwill	1,091,000	1,091,000
Note receivable – related party, net of current portion	364,533	365,086
Deferred tax assets, net of current portion	436,669	436,669
Other assets, net	47,228	7,245
Total assets	\$ 20,995,095	\$ 21,227,355

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 336,268	\$ 241,754
Accrued expenses	372,168	322,402
Income taxes payable	156,921	34,655
Deferred revenue	597,209	526,922
Jackpot liabilities	269,543	246,522
Current portion of capital lease obligations	61,305	--
Current portion of long-term debt	<u>3,289,275</u>	<u>2,929,918</u>

Total current liabilities	5,082,689	4,302,173
----------------------------------	-----------	-----------

Deferred rent	52,724	--
----------------------	--------	----

Capital lease obligations, net of current portion	173,313	--
----------------------------------------------------------	---------	----

Long-term debt, net of debt discount, net of current portion	<u>14,194,019</u>	<u>15,645,939</u>
---------------------------------------------------------------------	-------------------	-------------------

Total liabilities	<u>19,502,745</u>	<u>19,948,112</u>
--------------------------	-------------------	-------------------

Commitments and Contingencies (See Note 12)

Stockholders' equity

Preferred stock, 10,000,000 shares, \$.001 par value preferred stock authorized; 0 shares issued and outstanding	--	--
Common stock, 65,000,000 shares authorized; \$.001 par value 38,560,591 and 38,310,591 shares issued and outstanding	38,560	38,311
Additional paid-in capital	2,586,135	2,330,676
Stock warrants	49,168	190,053
Accumulated deficit	(741,646)	(1,002,188)
Accumulated other comprehensive income (loss)	<u>(439,867)</u>	<u>(277,609)</u>

Total stockholders' equity	<u>1,492,350</u>	<u>1,279,243</u>
-----------------------------------	------------------	------------------

Total liabilities and stockholders' equity	<u>\$ 20,995,095</u>	<u>\$ 21,227,355</u>
---------------------------------------------------	----------------------	----------------------

GALAXY GAMING, INC. STATEMENTS OF OPERATIONS (Unaudited)

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue:				
Product leases and royalties	\$ 2,461,354	\$ 1,931,376	\$ 4,722,163	\$ 3,820,806
Product sales and service	<u>1,175</u>	<u>12,350</u>	<u>5,177</u>	<u>19,298</u>
Total revenue	<u>2,462,529</u>	<u>1,943,726</u>	<u>4,727,340</u>	<u>3,840,104</u>
Costs and expenses:				
Cost of ancillary products and assembled components	17,620	32,232	36,940	59,483

Selling, general and administrative	1,420,932	986,482	2,627,278	1,944,064
Research and development	98,051	138,835	211,387	239,280
Depreciation	28,451	11,280	42,744	21,440
Amortization	389,634	397,226	779,132	794,452
Total costs and expenses	<u>1,954,688</u>	<u>1,566,055</u>	<u>3,697,481</u>	<u>3,058,719</u>
Income from operations	<u>507,841</u>	<u>377,671</u>	<u>1,029,859</u>	<u>781,385</u>
Other income (expense):				
Interest income	5,827	5,809	11,454	11,672
Interest expense	(280,445)	(258,543)	(563,682)	(515,560)
Gain on settlement	--	--	--	--
Total other income (expense)	<u>(274,618)</u>	<u>(252,734)</u>	<u>(552,228)</u>	<u>(503,888)</u>
Income before provision for income taxes	233,223	124,937	477,631	277,497
Benefit (provision) for income taxes	<u>(123,846)</u>	<u>(39,747)</u>	<u>(217,089)</u>	<u>(88,510)</u>
Net income	<u>\$ 109,377</u>	<u>\$ 85,190</u>	<u>\$ 260,542</u>	<u>\$ 188,987</u>
Basic income per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Diluted income per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Weighted average shares outstanding:				
Basic	<u>38,535,591</u>	<u>38,310,591</u>	<u>38,459,897</u>	<u>38,310,591</u>
Diluted	<u>38,626,603</u>	<u>38,410,591</u>	<u>38,537,558</u>	<u>38,410,591</u>

GALAXY GAMING, INC.
STATEMENTS OF CASH FLOWS

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2014	2013
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income for the period	\$ 260,542	\$ 188,987
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	42,744	21,440
Amortization expense	779,132	794,452
Amortization of debt discount	104,316	104,316
Deferred income tax provision	--	88,510
Share-based compensation	114,823	2,902
Changes in operating assets and liabilities:		
Increase in restricted cash	(20,500)	(18,253)
(Increase) decrease in accounts receivable	(150,414)	(22,902)
Decrease (increase) in other current assets	17,743	(4,481)
Increase in inventory	(52,079)	(132,507)
(Increase) decrease in prepaid expenses	(59,804)	(45,365)
(Increase) in other long-term assets	(40,889)	--

Increase (decrease) in accounts payable	94,346	4,583
Increase (decrease) in accrued expenses	49,695	(38,649)
Increase in income taxes payable	122,266	--
Increase in deferred revenue	70,287	40,370
Increase in jackpot liabilities	23,021	16,254
Increase in deferred rent	52,724	--
Net cash provided by operating activities	1,407,953	999,657
Cash flows from investing activities:		
Acquisition of property and equipment	(8,791)	(18,347)
Acquisition of intangible assets	(35,000)	--
Payments received on note receivable	--	4,177
Net cash (used in) provided by investing activities	(43,791)	(14,170)
Cash flows from financing activities:		
Principal payments on capital leases	(9,352)	--
Principal payments on notes payable	(1,360,143)	(1,135,014)
Net cash used in financing activities	(1,369,495)	(1,135,014)
Effect of exchange rate changes on cash	1,438	(5,728)
Net decrease in cash and cash equivalents	(3,895)	(155,255)
Cash and cash equivalents – beginning of period	438,502	398,424
Cash and cash equivalents – end of period	\$ 434,607	\$ 243,169
Supplemental cash flow information:		
Cash paid for interest	\$ 563,682	\$ 515,560
Inventory transferred to leased assets	\$ 36,550	\$ 27,898
Cash paid for income taxes	\$ --	\$ --
Supplemental non-cash financing activities information:		
Assets acquired by capital lease	\$ 243,970	\$ --
Effect of exchange rate on note payable in foreign currency	\$ 74,935	\$ 603,774

GALAXY GAMING, INC.
RECONCILIATION TO EBITDAS

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended March 31,
	2014	2013	2014	2013	2014
Net income	\$ 109,377	\$ 85,190	\$ 260,542	\$ 188,987	\$ 151,165
Interest income	(5,827)	(5,809)	(11,454)	(11,672)	(5,627)
Interest expense	280,445	258,543	563,682	515,560	283,237
Income tax provision (benefit)	123,846	39,747	217,089	88,510	93,243
Depreciation	28,451	11,280	42,744	21,439	14,293

Amortization	389,634	397,226	779,132	794,452	389,499
Share based compensation	<u>61,135</u>	<u>1,451</u>	<u>114,823</u>	<u>2,902</u>	<u>53,688</u>
EBITDAS ⁽¹⁾	<u>\$ 987,061</u>	<u>\$ 787,628</u>	<u>\$ 1,966,558</u>	<u>\$ 1,600,178</u>	<u>\$ 979,498</u>

(1) EBITDAS is defined as net income (loss) from continuing operations before interest, taxes, depreciation, amortization, share-based compensation, and non-cash charges. EBITDAS does not purport to represent net earnings or net cash used in operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements or as indicators of the Company's performance. The Company's definition of EBITDAS may not be comparable with similarly titled measures used by other companies.

CONTACT: Jonathan Wilcox
(702) 939-3254

Source: Galaxy Gaming, Inc.