



November 5, 2008

USA Technologies Reports First Fiscal Quarter 2009 Financial Results

MALVERN, Pa., Nov 05, 2008 (BUSINESS WIRE) -- USA Technologies, Inc. (NASDAQ:USAT), a leader in wireless cashless transactions, associated financial/network services and energy management, reported financial results for its first fiscal quarter ended September 30, 2008.

First quarter fiscal 2009 total revenues were \$3,394,879, a marginal increase over the \$3,355,656 reported in the same period the prior year. License and transaction fees totaled \$1,355,964, an increase of \$650,572, or 92% versus the first quarter of fiscal year 2008. Equipment sales were \$2,038,915, a decrease of \$611,349, or 23% versus the same period a year ago.

Gross profit increased 74% from the same quarter a year ago to \$903,409, primarily due to an increase in the profit margin of the ePort(R) equipment sales, primarily as a result of lower production costs. Profit margin realized during the same period a year ago were lower as a result of terminal 'seeding' programs the Company entered into with its marketing partners.

Operating expenses in the first quarter decreased by \$1,034,349, or 18%, to \$4,858,312 from \$5,892,661 a quarter a year ago. Net loss improved to \$4,244,189, or \$0.28 per fully diluted share, compared to a loss of \$5,653,283, or \$0.47 per fully diluted share, in the same period of the prior year. This is based on weighted shares outstanding of 15.2 million in the first quarter versus 12.0 million in the same quarter of fiscal 2008.

During the quarter ended September 30, 2008, the Company processed approximately 4.7 million transactions totaling more than \$11.6 million, compared to approximately 1.8 million transactions totaling more than \$7.3 million in the same period of the prior year. This represents an increase of 161% in transaction volume and 59% in dollars processed.

USA Technologies currently has more than 42,000 customer connected devices on its USALive Network as compared with 24,000 a year ago.

"We are making progress in many important areas," said George R. Jensen, Jr., chairman and chief executive officer of USA Technologies, Inc. "Our recurring license and transaction revenues are growing, expenses are declining, and gross profits are increasing. We anticipate these trends continuing as we sign new business agreements, many in new and emerging markets, including the kiosk industry. For example, the Company recently entered into agreements with AirServ, a new OEM partner that operates tire inflation and vacuum kiosks for gas stations and convenience stores worldwide, and Merit Entertainment which manufactures Megatouch video games for a global audience. According to the latest research published in Time Magazine, more than \$1.3 trillion in transactions will pass through kiosks by 2011."

"Our customers and industry analysts were impressed with the new products and services we unveiled at the National Automatic Merchandiser Association [NAMA] National Expo recently" continued Jensen. "We announced the all-purpose ePort G8(TM), the budget-priced ePort Edge(TM), multiple pre-paid programs, and the ePort Performance Guarantee(TM)."

The ePort G8 offers a cashless transaction solution that combines a contactless card reader (RFID) with the traditional magnetic swipe reader for unattended point-of-sale (POS) applications, including vending machines. The ePort G8 is 65 percent smaller than the previous ePort G7, which makes the G8 easier to install and compatible with a wider variety of unattended POS devices. The G8 will be offered at a lower price of \$329, which is expected to increase sales when it becomes available in January 2009. To view a photo of the ePort G8, click here: http://www.usatech.com/imgs/eport_g8.jpg

The ePort Edge represents the introduction of a completely reengineered line of ePort cashless transaction devices. Its one-piece, integrated design is substantially smaller than any solution currently on the market. Its powerful processor cuts transaction time to just a few seconds. The ePort Edge was developed for vending companies that want to offer customers a magnetic-swipe-only cashless system at the very low cost of \$199. To view a photo of the ePort EDGE, click here: http://www.usatech.com/imgs/eport_edge.jpg

"This price point provides newcomers a cashless transactions solution with almost nothing but upside," said Jensen. "Additionally, we expect our EnergyMiser(R) energy management product line to grow as the nation looks for more ways to lower energy consumption and cost."

Today 55 utilities offer rebates up to the entire cost of the Company's EnergyMiser product line, and some rebates include installation. The EnergyMiser product line (VendingMiser(R), CoolerMiser(R), SnackMiser(R), PlugMiser(R), VM2IQ(R) and CM2IQ(R)) is designed to reduce the cost of operating vending machines and coolers between 30-46 percent.

The Company recently announced the availability of RoHS compliant VM2IQ and CM2IQ and offered them at the new, lower price of \$99. RoHS restricts the use of hazardous materials in electronic products in an effort to reduce the stream of hazardous waste sent to landfills. California and a growing list of US states are proposing mandates for the use of RoHS compliant products. This also meets an EU Market directive enabling the company to distribute throughout Europe.

USA Technologies also showcased at NAMA its pre-paid, gift and loyalty programs, and a new pre-paid program offered in partnership between USA Technologies and a global leader in payment processing. Both are sticker-based, radio frequency (RF), pre-paid programs that enable consumers to make purchases using a stamp-sized, paper-thin sticker which can be adhered to any personal item, including a mobile phone. It can be used to make purchases by waving or tapping the sticker near an ePort Contactless Reader. USA also offers magnetic-stripe based pre-paid and loyalty programs. In all instances, consumers will be able to set up and manage their accounts via the web.

"We are so confident of the value of our products and services that we launched 'The ePort Performance Guarantee,' an industry first," said Mr. Jensen. "Under this program, our deployment services teams work closely with customers to develop a strategy for a successful rollout, provide network management training, and offer ongoing account support. If a customer is not satisfied, they may return the ePort devices, and USA Technologies will refund the cost."

About USA Technologies:

USA Technologies is a leader in the networking of wireless non-cash transactions, associated financial/network services and energy management. USA Technologies provides networked credit card and other non-cash systems in the vending, commercial laundry, hospitality and digital imaging industries. The Company has agreements with AT&T, Honeywell, Blackboard, MasterCard and others. For further information on USA Technologies, please visit www.usatech.com.

Statement under the Private Securities Litigation Reform Act:

With the exception of the historical information contained in this release, the matters described herein contain forward-looking statements that involve risk and uncertainties that may individually or mutually impact the matters herein described, including but not limited to product acceptance, the ability to continually obtain increased orders of its products, the ability to meet installation goals, economic, competitive, governmental impacts, whether its pending patents will be granted or defensible; validity of intellectual property and patents of USA, the ability of USA to license its patents, the ability of USA to commercialize its developmental products, technological and/or other factors, which could cause actual results or revenues to differ materially from those contemplated by these statements.

- FINANCIAL TABLES TO FOLLOW -

USA Technologies, Inc.
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	June 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,967,980	\$ 9,970,691
Available-for-sale securities	1,425,000	-
Accounts receivable, less allowance for uncollectible accounts of approximately \$114,000 at September 30, 2008 and \$215,000 at June 30, 2008	1,102,050	3,483,666
Finance receivables	365,092	399,427
Inventory, net	1,983,262	2,299,002
Prepaid expenses and other current assets	972,860	802,223
Total current assets	13,816,244	16,955,009
Available-for-sale securities	5,450,000	6,875,000
Finance receivables, less current portion	337,933	424,336
Property and equipment, net	1,864,516	2,024,842
Intangibles, net	5,620,853	5,885,432
Goodwill	7,663,208	7,663,208
Other assets	219,618	227,824
Total assets	\$ 34,972,372	\$ 40,055,651
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 2,605,374	\$ 4,005,549
Accrued expenses	2,324,306	2,506,035
Current obligations under long-term debt	507,472	526,348
Total current liabilities	5,437,152	7,037,932
Long-term debt, less current portion	353,059	441,170
Total liabilities	5,790,211	7,479,102
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares- 1,800,000		
Series A convertible preferred- Authorized shares-900,000;		
Issued and outstanding shares- 520,392 as of September 30, 2008 and as of June 30, 2008 (liquidation preference of \$15,367,514 and \$14,977,220, respectively)	3,686,218	3,686,218
Common stock, no par value:		
Authorized shares- 640,000,000;		
Issued and outstanding shares- 15,238,350 at September 30, 2008 and 15,155,270 at June 30, 2008	194,192,611	193,733,104
Accumulated deficit	(168,696,668)	(164,842,773)
Total shareholders' equity	29,182,161	32,576,549
Total liabilities and shareholders' equity	\$ 34,972,372	\$ 40,055,651

USA Technologies, Inc
Consolidated Statements of Operations
(Unaudited)

	Three months ended September 30, 2008	2007
Revenues:		
Equipment sales	\$ 2,038,915	\$ 2,650,264
License and transaction fees	1,355,964	705,392
Total revenues	3,394,879	3,355,656
Cost of equipment	1,433,844	2,272,492
Cost of services	1,057,626	563,988
Cost of sales	2,491,470	2,836,480
Gross profit	903,409	519,176
Operating expenses:		
Selling, general and administrative	4,439,533	5,392,034
Depreciation and amortization	418,779	500,627
Total operating expenses	4,858,312	5,892,661
Operating loss	(3,954,903)	(5,373,485)
Other income (expense):		
Interest income	127,966	148,892
Interest expense	(26,958)	(38,396)

Total other income (expense)	101,008	110,496
Net loss	(3,853,895)	(5,262,989)
Cumulative preferred dividends	(390,294)	(390,294)
Loss applicable to common shares	\$ (4,244,189)	\$ (5,653,283)
Loss per common share (basic and diluted)	\$ (0.28)	\$ (0.47)
Weighted average number of common shares outstanding (basic and diluted)	15,169,216	12,031,530

SOURCE: USA Technologies, Inc.

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