

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 23, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to: _____
Commission file number: 0-21121

TRANSACT TECHNOLOGIES INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE 06-1456680
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

7 LASER LANE, WALLINGFORD, CT 06492
(Address of principal executive offices)
(Zip Code)

(203) 269-1198
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last
report.)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

CLASS	OUTSTANDING OCTOBER 27, 2000
- - - - -	-----
COMMON STOCK, \$.01 PAR VALUE	5,603,000

TRANSACT TECHNOLOGIES INCORPORATED

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TRANSACT TECHNOLOGIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	SEPTEMBER 23, 2000 ----- (UNAUDITED)	December 31, 1999 -----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 880	\$ 279
Receivables, net	6,659	4,863
Inventories	12,798	10,257
Other current assets	1,475	1,540
	-----	-----
Total current assets	21,812	16,939
	-----	-----
Plant and equipment, net	7,472	6,705
Excess of cost over fair value of net assets acquired	1,730	1,886
Other assets	106	154
	-----	-----
	9,308	8,745
	-----	-----
	\$ 31,120	\$ 25,684
	=====	=====
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 3,990	\$ 3,056
Accrued liabilities	2,428	2,789
	-----	-----
Total current liabilities	6,418	5,845
	-----	-----
Long-term debt	8,300	7,100
Other liabilities	456	532
	-----	-----
	8,756	7,632
	-----	-----
Mandatorily redeemable preferred stock	3,649	-
	-----	-----
Shareholders' equity:		
Common stock	56	56
Additional paid-in capital	6,042	5,656
Retained earnings	7,166	7,592
Unamortized restricted stock compensation	(559)	(747)
Loan receivable from officer	(330)	(330)
Accumulated other comprehensive loss	(78)	(20)
	-----	-----
Total shareholders' equity	12,297	12,207
	-----	-----
	\$ 31,120	\$ 25,684
	=====	=====

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED
 CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
 (UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 23, 2000	September 25, 1999	SEPTEMBER 23, 2000	September 25, 1999
Net sales	\$ 14,604	\$ 13,020	\$ 39,582	\$ 34,745
Cost of sales	10,737	9,685	29,037	25,744
Gross profit	3,867	3,335	10,545	9,001
Operating expenses:				
Engineering, design and product development costs	826	803	2,655	2,393
Selling and marketing expenses	1,074	975	3,819	2,831
General and administrative expenses	1,373	1,156	4,013	3,362
	3,273	2,934	10,487	8,586
Operating income	594	401	58	415
Other income (expense):				
Interest, net	(169)	(89)	(478)	(274)
Other, net	17	759	53	785
	(152)	670	(425)	511
Income (loss) before income taxes	442	1,071	(367)	926
Income tax provision (benefit)	152	234	(171)	222
Net income (loss)	290	837	(196)	704
Dividends and accretion on preferred stock	(90)	-	(230)	-
Net income (loss) available to common shareholders	\$ 200	\$ 837	\$ (426)	\$ 704
Net income (loss) per share:				
Basic	\$ 0.04	\$ 0.15	\$ (0.08)	\$ 0.13
Diluted	\$ 0.04	\$ 0.15	\$ (0.08)	\$ 0.13
Weighted average common shares outstanding:				
Basic	5,512	5,559	5,496	5,565
Diluted	5,512	5,656	5,496	5,589

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
 (UNAUDITED)

	NINE MONTHS ENDED	
(In thousands)	SEPTEMBER 23, 2000 ----	September 25, 1999 ----
Cash flows from operating activities:		
Net income (loss)	\$ (196)	\$ 704
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,974	1,676
(Gain) loss on disposal of equipment	(4)	8
Changes in operating assets and liabilities:		
Receivables	(1,796)	(1,304)
Inventories	(2,541)	(429)
Other current assets	65	179
Other assets	(57)	(96)
Accounts payable	934	2,857
Accrued liabilities and other liabilities	(437)	287
	(2,058)	3,882
Cash flows from investing activities:		
Purchases of plant and equipment	(2,296)	(1,762)
Loans to officers	15	(345)
Acquisition of Tridex Ribbon business	-	(295)
	(2,281)	(2,402)
Cash flows from financing activities:		
Bank line of credit borrowings	21,400	9,500
Bank line of credit repayments	(20,200)	(10,600)
Net proceeds from issuance of preferred stock	3,785	-
Payment of cash dividends on preferred stock	(135)	-
Proceeds from option exercises	148	1
Purchases of treasury stock	-	(229)
	4,998	(1,328)
Effect of exchange rate changes on cash	(58)	(4)
Increase in cash and cash equivalents	601	148
Cash and cash equivalents at beginning of period	279	546
Cash and cash equivalents at end of period	\$ 880	\$ 694

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. In the opinion of TransAct Technologies Incorporated (the "Company"), the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly its financial position as of September 23, 2000, and the results of its operations and cash flows for the three and nine months ended September 23, 2000 and September 25, 1999. The December 31, 1999 consolidated condensed balance sheet has been derived from the Company's audited financial statements at that date. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K.

The financial position and results of operations of the Company's foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of such subsidiaries have been translated at end of period exchange rates, and related revenues and expenses have been translated at weighted average exchange rates. Transaction gains and losses are included in other income.

The results of operations for the three and nine months ended September 23, 2000 and September 25, 1999 are not necessarily indicative of the results to be expected for the full year.

2. Earnings per share

Basic earnings per common share for the three and nine months ended September 23, 2000 and September 25, 1999 were based on the weighted average number of shares outstanding during the period. Diluted earnings per share for the same periods were based on the weighted average number of shares after consideration of any dilutive effect of stock options and warrants.

3. Inventories:

The components of inventory are:

(In thousands)	September 23, 2000 ----	December 31, 1999 ----
Raw materials and component parts	\$ 12,417	\$ 9,198
Work-in-process	345	542
Finished goods	36	517
	-----	-----
	\$ 12,798	\$ 10,257
	=====	=====

4. Commitments and contingencies

The Company has a long-term purchase agreement with Okidata, Division of Oki America, Inc., for certain printer components. Under the terms of the agreement, the Company receives favorable pricing for volume purchases over the life of the contract. In the event anticipated purchase levels are not achieved, the Company would be subject to retroactive price increases on previous purchases. Management currently anticipates achieving purchase levels sufficient to maintain the favorable prices.

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

5. Significant transactions

On September 21, 2000, the Company entered into a new two-year revolving credit facility (the "Webster Credit Facility") with Webster Bank ("Webster") expiring on September 21, 2002. The Webster Credit Facility replaced the Company's credit facility with Fleet Bank. Under the Webster Credit Facility, the Company may borrow up to \$12 million, based on certain financial criteria of the Company at the time of any borrowing, to repay borrowings under the credit facility with Fleet Bank and to fund working capital. Borrowings under the Webster Credit Facility bear a floating rate of interest at the higher of the "Prime Rate" as published in The Wall Street Journal or one-half of one percent (1/2%) over the federal funds rate (as defined in the Webster Credit Facility). Under certain circumstances, the Company may select a fixed interest rate for a specified period of up to 90 days on borrowings based on the current LIBOR rate (as adjusted as specified in the Webster Credit Facility) plus 2.5%, which may be reduced to 2.25% on July 1, 2001 if there is no Event of Default (as defined in the Webster Credit Facility). The Company will also pay a fee of three-eighths of one percent (3/8%) on unused borrowing capacity under the Webster Credit Facility. Borrowings under the Webster Credit Facility are secured by a lien on all the personal property assets of the Company. The Webster Credit facility also imposes certain financial covenants on the Company and restricts the payment of dividends on its common stock and the creation of other liens.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Certain statements included in this report, including without limitation statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements involve risks and uncertainties, including, but not limited to, customer acceptance and market share gains, both domestically and internationally, in the face of substantial competition from competitors that have broader lines of products and greater financial resources; successful product development; dependence on significant customers; dependence on third parties for sales in Europe and Latin America; economic conditions in the United States, Europe and Latin America; marketplace acceptance of new products; risks associated with foreign operations; availability of third-party components at reasonable prices; and the absence of price wars or other significant pricing pressures affecting the Company's products in the United States or abroad. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 23, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 25, 1999

NET SALES. Net sales by market for the current and prior year's quarter were as follows:

(In thousands, except %)	Three months ended September 23, 2000 -----		Three months ended September 25, 1999 -----	
Point of sale	\$ 8,278	56.7%	\$ 9,111	70.0%
Gaming and lottery	5,022	34.4	1,557	12.0
Other	1,304	8.9	2,352	18.0
	-----	-----	-----	-----
	\$ 14,604	100.0%	\$ 13,020	100.0%
	=====	=====	=====	=====

Net sales for the third quarter of 2000 increased \$1,584,000, or 12%, to \$14,604,000 from the prior year's third quarter, due to significantly increased shipments into gaming and lottery markets, partially offset by decreased sales into the point of sale ("POS") and the Company's other markets.

Point of sale: Sales of the Company's POS printers decreased approximately \$833,000, or 9%. Domestic POS printer sales decreased \$2,859,000 due primarily to continued softness in demand from the Company's domestic distributors in the third quarter of 2000, which the Company expects to continue for the remainder of 2000. Despite a decrease in domestic printer shipments, international POS printer shipments increased approximately \$2,026,000 due to resumed printer shipments for the British Post Office project. Shipments for the British Post Office project totaled approximately \$3,400,000 in the third quarter of 2000. The Company did not make any printer shipments related to this project during 1999. The Company expects to complete shipping printers for the British Post Office project during the first quarter of 2001, subsequent to which no further shipments are expected. While the Company expects to replace sales for the British Post Office project with sales of other POS and gaming and lottery printers during 2001, if the Company is unable to do so, the absence of such sales would have a material adverse impact on the Company's operations and financial results during 2001. The increase in international shipments for the British Post Office project were offset by a decrease of approximately \$1,300,000 of printer shipments to Europe and Latin America through the Company's distribution partner, Okidata.

Gaming and lottery: Sales of the Company's gaming and lottery printers increased approximately \$3,465,000, or 223%, from the third quarter a year ago. The overall increase primarily reflects resumed printer shipments of the Company's on-line lottery printers to GTECH. Shipments of these printers and spares totaled approximately \$3,200,000. The Company made no on-line lottery printer shipments to GTECH during 1999. The Company has not yet received an order from GTECH for 2001 on-line lottery printer shipments, but expects to receive an indication of the amount of such an order, if any, by December 31, 2000. If the Company does not receive an order from GTECH for 2001 of a comparable amount, the absence of such sales would have a material adverse impact on the Company's operations and financial results during 2001.

In addition to resumed shipments to GTECH, sales into the gaming and lottery market increased by approximately \$600,000 due to higher shipments of printers for use in video lottery terminals ("VLTs"). During the third quarter of 1999, shipments of printers for use in VLTs consisted primarily of those for use in South Carolina's video poker industry. However, in October 1999, the Supreme Court of South Carolina upheld legislation to prohibit the use of video poker machines beginning July 1, 2000. As a result of this legislation, the Company has not had any sales of its VLT printers in South Carolina since the third quarter of 1999, and does not expect any in the future. Sales of printers for use in video lottery printers increased during the third quarter of 2000, as the Company more than replaced its third quarter of 1999 printer sales into South Carolina with sales into other jurisdictions. The Company expects to continue pursuing opportunities to provide printers for use in video lottery and other gaming machines outside of South Carolina, including newly legalized casinos in California. The Company began shipping printers for use in such casinos in the third quarter of 2000.

The increase due to resumed shipments to GTECH and higher VLT printer sales was somewhat offset by a decrease of approximately \$300,000 of sales of in-lane and other lottery printers to GTECH in 1999 that did not recur in 2000. Sales of these printers to GTECH are principally project-oriented and the Company cannot predict if and when future sales may occur.

Other: Sales of the Company's printers into other markets decreased by \$1,048,000, or 45% to \$1,304,000 from the prior year's quarter. The third quarter of 1999 included shipments of approximately \$300,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the third quarter of 2000. Sales into the Company's other markets also decreased due to shipments of printers to a customer for use in a bank teller application in 1999 that did not recur in 2000. Since printer sales into this market are principally project-oriented, the Company cannot predict if and when future sales may occur.

GROSS PROFIT. Gross profit increased \$532,000, or 16%, to \$3,867,000 from the prior year's quarter due primarily to higher volume of sales. The gross margin also improved to 26.5% from 25.6%. Both gross profit and gross margin for the third quarter of 1999 were adversely impacted by approximately \$350,000 of nonrecurring manufacturing disruption and other costs related to the GTECH product line. The Company expects its gross margin for the remainder of 2000 to decline slightly from the third quarter of 2000 level due to an expected change in the Company's sales mix as it introduces new products.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased \$23,000, or 3%, to \$826,000 from the third quarter of 1999. This increase is primarily due to additional engineering staff for new printer development. Engineering and product development expense decreased as a percentage of net sales to 5.6% from 6.1%, as these expenses grew more slowly than sales volume in the third quarter of 2000 compared to 1999.

SELLING AND MARKETING. Selling and marketing expenses increased \$99,000, or 10%, to \$1,074,000 from the quarter ended September 23, 1999, and decreased slightly as a percentage of net sales to 7.4% from 7.5%. Such expenses increased primarily due to continued marketing and promotional activities incurred in the third quarter of 2000 related to the launch in April of 2000 of the Company's new family of printers utilizing inkjet printing technology, including additional marketing staff. This increase was partially offset by lower sales commissions resulting from a decrease in sales eligible for commissions in the third quarter of 2000 compared to 1999.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased by \$217,000, or 19%, to \$1,373,000 from the comparable prior year's quarter and increased as a percentage of net sales to 9.4% from 8.9%. The increase primarily resulted from higher professional, telecommunication, and administrative payroll expenses during the quarter.

OPERATING INCOME. Operating income increased \$193,000, or 48%, to \$594,000 from \$401,000 in the third quarter of 1999. Operating income as a percentage of net sales increased to 4.1% from 3.1%, primarily due to lower gross margin in the third quarter of 1999 resulting from the inclusion of certain nonrecurring manufacturing disruption and other costs related to the GTECH product line.

OTHER INCOME. During the third quarter of 1999, the Company recorded a one-time pre-tax gain of \$770,000 related to the favorable settlement of a lawsuit with GTECH.

INTEREST. Net interest expense increased to \$169,000 from \$89,000 in the third quarter of 1999 due to increased average outstanding borrowings on the Company's line of credit and a higher average interest rate on such borrowings. See "Liquidity and Capital Resources" below.

INCOME TAXES. The provision for income taxes for the current quarter reflects an effective tax rate of 34.3% compared to 21.8% in the comparable prior year's period. The Company's lower effective tax rate in the third quarter of 1999 largely resulted from the recognition of certain tax credits and benefit from the Company's foreign sales corporation.

NET INCOME. The Company recorded net income of \$290,000, or \$0.04 per share (basic and diluted) during the third quarter of 2000, after giving effect to \$90,000 of dividends and accretion recorded during the period on preferred stock issued in April 2000. This compares to net income of \$837,000, or \$0.15 per share (basic and diluted) for the comparable quarter of 1999. In future quarters, dividends and accretion on preferred stock will be \$90,000, before the effect of any conversion or redemption of the preferred stock.

NINE MONTHS ENDED SEPTEMBER 23, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 25, 1999

NET SALES. Net sales by market for the current and prior nine-month periods were as follows:

(In thousands, except %)	Nine months ended September 23, 2000 -----		Nine months ended September 25, 1999 -----	
Point of sale	\$ 22,109	55.9%	\$ 20,248	58.3%
Gaming and lottery	13,503	34.1	7,688	22.1
Other	3,970	10.0	6,809	19.6
	-----	-----	-----	-----
	\$ 39,582	100.0%	\$ 34,745	100.0%
	=====	=====	=====	=====

Net sales for the first nine months of 2000 increased \$4,837,000, or 14%, to \$39,582,000 from the prior year's period, due to increased shipments into the POS and gaming and lottery markets, partially offset by a decrease in the Company's other markets.

Point of sale: Sales of the Company's POS printers increased approximately \$1,861,000, or 9%. International POS printer shipments increased approximately \$6,897,000 due to resumed printer shipments for the British Post Office project. Shipments for this project totaled approximately \$8,000,000 in the first nine months of 2000. The Company did not make any printer shipments related to this project during 1999. The Company expects to complete shipping printers for the British Post Office project during the first quarter of 2001, subsequent to which no further shipments are expected. While the Company expects to replace sales for the British Post Office project with sales of other POS and gaming and lottery printers during 2001, if the Company is unable to do so, the absence of such sales would have a material adverse impact on the Company's operations and financial results during 2001. The increase in international shipments for the British Post Office project were offset by a decrease of approximately \$1,400,000 of printer shipments to Europe and Latin America through the Company's distribution partner, Okidata.

Domestic POS printer sales declined by approximately \$5,036,000 due primarily to continued softness in demand from the Company's domestic distributors, which the Company expects to continue for the remainder of 2000.

Gaming and lottery: Sales of the Company's gaming and lottery printers increased approximately \$5,815,000, or 76%, from the first nine months a year ago. The overall increase reflects resumed printer shipments of the Company's on-line lottery printers to GTECH. Shipments of these printers and spares totaled approximately \$9,300,000. The Company made no on-line lottery printer shipments to GTECH during 1999. The Company has not yet received an order from GTECH for 2001 on-line lottery printer shipments, but expects to receive an indication of the amount of such order, if any, by December 31, 2000. If the Company does not receive an order from GTECH for 2001 of a comparable amount, the absence of such sales would have a material adverse impact on the Company's operations and financial results during 2001.

The increase due to resumed shipments to GTECH was offset by a decrease of (1) approximately \$1,100,000 of sales of in-lane and other lottery printers to GTECH that did not recur in 2000 (Sales of these printers to GTECH are principally project-oriented and the Company cannot predict if and when future sales may occur); and (2) approximately \$2,000,000 in shipments of printers for use in video lottery terminals. During the first nine months of 1999, shipments of printers for use in VLTs consisted primarily of those for use in South Carolina's video poker industry. However, in October 1999, the Supreme Court of South Carolina upheld legislation to prohibit the use of video poker machines beginning July 1, 2000. As a result of this legislation, the Company has not sold any VLT printers for use in South Carolina since the third quarter of 1999, and does not expect any future sales of such printers. The absence of VLT printer sales in South Carolina during the first nine months of 2000 was partially offset by sales of VLT printers into other jurisdictions. The Company expects to continue pursuing opportunities to provide printers for use in video lottery and other gaming machines outside of South Carolina, including newly legalized casinos in California. The Company began shipping printers for use in such casinos in the third quarter of 2000.

Other: Sales of the Company's printers into other markets decreased by \$2,839,000, or 42% to \$3,970,000 from the comparable prior year's period. The first nine months of 1999 included shipments of approximately \$1,400,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the nine months ended September 23, 2000. Sales into the Company's other markets also decreased due to shipments of printers to a customer for use in a bank teller application in 1999 that did not recur in 2000. Since printer sales into this market are principally project-oriented, the Company cannot predict if and when future sales may occur.

GROSS PROFIT. Gross profit increased \$1,544,000, or 17%, to \$10,545,000 from the first nine months of 1999 due primarily to higher volume of sales. The gross margin also improved to 26.6% from 25.6%. Both gross profit and gross margin for the nine months of 1999 were adversely impacted by approximately \$350,000 of nonrecurring manufacturing disruption and other costs related to the GTECH product line. The Company expects its gross margin for the remainder of 2000 to decline slightly from the third quarter of 2000 level due to an expected change in the Company's sales mix as it introduces new products.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased \$262,000, or 11%, to \$2,655,000 from the nine months ended September 23, 1999, and increased as a percentage of net sales to 6.7% from 6.1%. This increase is primarily due to increased product development and design expenses, primarily for development of printers utilizing inkjet printing technology and additional engineering staff.

SELLING AND MARKETING. Selling and marketing expenses increased \$988,000, or 35%, to \$3,819,000 from the comparable prior year period, and increased as a percentage of net sales to 10.1% from 7.5%. Such expenses increased primarily due to marketing and promotional activities related to the launch of the Company's new family of printers utilizing inkjet printing technology in April of 2000, including additional marketing staff. This increase was somewhat offset by lower sales commissions resulting from a decrease in sales eligible for commissions in the first nine months of 2000 compared to 1999.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased by \$651,000, or 19%, to \$4,013,000 from the comparable prior year's period and increased as a percentage of net sales to 10.1% from 8.9%. The increase primarily resulted from (1) higher expenses resulting from the Company's upgrade of its telecommunications system in late 1999, (2) an increase in administrative payroll expenses and (3) higher professional expenses.

OPERATING INCOME. Operating income decreased \$357,000, or 86%, to \$58,000 from \$415,000 in the first nine months of 1999. Operating income as a percentage of net sales declined to 0.1% from 3.1%, primarily due to higher operating expenses, including planned marketing and product development expenses related to the launch of the Company's printers utilizing inkjet printing technology, and to higher general and administrative expenses.

OTHER INCOME. During the third quarter of 1999, the Company recorded a one-time pre-tax gain of \$770,000 related to the favorable settlement of a lawsuit with GTECH.

INTEREST. Net interest expense increased to \$478,000 from \$274,000 in the first nine months of 1999 due to increased average outstanding borrowings on the Company's line of credit and a higher average interest rate on such borrowings. See "Liquidity and Capital Resources" below.

INCOME TAXES. As a result of the Company's loss before income taxes, the Company recorded an income tax benefit of \$171,000, or an effective tax rate of 46.6%, in the nine months ended September 23, 2000 compared to an income tax provision of \$222,000, or an effective tax rate of 24% for the nine months ended September 25, 1999. The relatively low tax provision for the nine months of 1999 largely resulted from the recognition of certain tax credits and benefit from the Company's foreign sales corporation.

NET INCOME (LOSS). The Company incurred a net loss during the first nine months of 2000 of \$426,000, or \$0.08 per share (basic and diluted), after giving effect to \$174,000 of dividends and accretion, and a one-time beneficial conversion charge of approximately \$56,000 (recorded during the second quarter of 2000), on preferred stock issued in April of 2000. This compares to net income of \$704,000, or \$0.13 per share (basic and diluted) for the first nine months of 1999. In future quarters, dividends and accretion on preferred stock will be \$90,000, before the effect of any conversion or redemption of the preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

The Company reported cash used in operations of \$2,058,000 during the first nine months of 2000 compared to cash generated from operations of \$3,882,000 during the first nine months of 1999. The Company's working capital increased to \$15,394,000 at September 23, 2000 from \$11,094,000 at December 31, 1999. The current ratio also increased to 3.40 at September 23, 2000 from 2.90 at December 31, 1999. Both the increase in working capital and the current ratio were largely due to (1) higher receivables at September 23, 2000 resulting from higher sales volume in the third quarter of 2000 compared to the fourth quarter of 1999, (2) higher inventory levels in anticipation of higher sales volume and new product launches during 2000 compared to 1999 and (3) net proceeds of approximately \$3.8 million from the issuance of preferred stock in April, 2000.

Prior to March 14, 2000, the Company had in place a two-year \$10,000,000 revolving credit facility (the "First Fleet Credit Facility") with Fleet National Bank ("Fleet"). The Company had \$7,100,000 of outstanding borrowings under this facility at December 31, 1999.

On March 14, 2000, the Company entered into a new two-year \$13,000,000 revolving credit facility (the "Second Fleet Credit Facility") with Fleet. The Second Fleet Credit Facility replaced the First Fleet Credit Facility.

On September 21, 2000, the Company entered into a new two-year revolving credit facility (the "Webster Credit Facility") with Webster Bank ("Webster") expiring on September 21, 2002. The Webster Credit Facility replaced the Second Fleet Credit Facility. Under the Webster Credit Facility, the Company may borrow up to \$12 million, based on certain financial criteria of the Company at the time of any borrowing, to repay borrowings under the credit facility with Fleet Bank and to fund working capital. Borrowings under the Webster Credit Facility bear a floating rate of interest at the higher of the "Prime Rate" as published in The Wall Street Journal or one-half of one percent (1/2%) over the federal funds rate (as defined in the Webster Credit Facility). Under certain circumstances, the Company may select a fixed interest rate for a specified period of up to 90 days on borrowings based on the current LIBOR rate (as adjusted as specified in the Webster Credit Facility) plus 2.5%, which may be reduced to 2.25% on July 1, 2001 if there is no Event of Default (as defined in the Webster Credit Facility). The Company will also pay a fee of three-eighths of one percent (3/8%) on unused borrowing capacity under the Webster Credit Facility. Borrowings under the Webster Credit Facility are secured by a lien on all the personal property assets of the Company. The Webster Credit facility also imposes certain financial covenants on the Company and restricts the payment of dividends on its common stock and the creation of other liens. The Company had \$8,300,000 of outstanding borrowings under this facility at September 23, 2000.

On April 7, 2000 the Company sold 4,000 shares of 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock") to Advance Capital Advisors, L.P. and its affiliate in consideration of \$1,000 per share (the "Stated Value"), for a total of \$4,000,000, less issuance costs. The Preferred Stock is convertible at any time by the holders at a conversion price of \$9.00 per common share. In addition, the Company issued warrants pro-rata to the Preferred Stock holders to purchase an aggregate of 44,444 shares of the Company's common stock at an exercise price of \$9.00 per common share. The warrants, valued at \$175,000, are exercisable at any time until the April 7, 2005. The Preferred Stock is subject to mandatory conversion into shares of the Company's common stock when such stock has traded at \$35 per share or more for a 30-day period ending on or after April 7, 2003, or for a 60-day period beginning on or after April 7, 2002. The Preferred Stock is redeemable at the option of the holders on or after April 7, 2005 at \$1,000 per share plus any unpaid dividends. On April 7, 2007, the Company has the right to require (1) redemption of the Preferred Stock at \$1,000 per share plus any unpaid dividends or (2) conversion of the Preferred Stock at \$9.00 per common share. Upon a change of control, holders have the right to redeem the Preferred Stock for 200% of the Stated Value plus any unpaid dividends. The holders of the Preferred Stock are entitled to receive a cumulative annual dividend of \$70 per share, payable quarterly, and have preference to any other dividends, if any, paid by the Company.

The Company's capital expenditures were approximately \$2,296,000 and \$1,762,000 for the nine months ended September 23, 2000 and September 25, 1999, respectively. These expenditures primarily included new product tooling, largely for new inkjet products in the 2000 period. The Company's total capital expenditures for 2000 are expected to be approximately \$2,800,000, a majority for new product tooling.

The Company believes that cash flows generated from operations, net cash proceeds from the issuance of Preferred Stock and borrowings available under the Webster Credit Facility, as necessary, will provide sufficient resources to meet the Company's working capital needs, finance its capital expenditures and meet its liquidity requirements through December 31, 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company's exposure to market risk for changes in interest rates relates primarily to borrowings under the Webster Credit Facility. These borrowings bear interest at variable rates and the fair value of this indebtedness is not significantly affected by changes in market interest rates. The Company, under the Webster Credit Facility, may, and has, fixed its rate of interest at LIBOR plus the applicable margin for between 30 and 90 days on a significant portion of its outstanding borrowings. The Company does not have any other protection against interest rate fluctuations. An effective increase or decrease of 10% in the current effective interest rates under its credit facility would not have a material effect on the Company's results of operations or cash flow.

FOREIGN CURRENCY EXCHANGE RISK

A substantial portion of the Company's sales and purchases are denominated in U.S. dollars and, as a result, the Company has relatively little exposure to foreign currency exchange risk with respect to sales and purchases. This exposure may change over time as business practices evolve and could have a material adverse impact on its financial results in the future. The Company does not use forward exchange contracts to hedge exposures denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. The effect of an immediate 10% change in exchange rates would not have a material impact on the Company's future results of operations or cash flow.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits filed herein

Exhibit 11.1 Computation of earnings per share

Exhibit 27.1 Financial Data Schedule

b. Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSACT TECHNOLOGIES INCORPORATED
(Registrant)

November 2, 2000

/s/ Richard L. Cote

Richard L. Cote
Executive Vice President, Secretary,
Treasurer and Chief Financial Officer
(Principal Financial Officer)

/s/ Steven A. DeMartino

Steven A. DeMartino
Vice President and Corporate Controller
(Principal Accounting Officer)

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit

11.1 Computation of earnings per share.
27.1 Financial Data Schedule.

TRANSACT TECHNOLOGIES INCORPORATED
 Exhibit 11.1
 Computation of Earnings Per Share
 (unaudited)

(In thousands, except per share data)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 23, 2000 ----	September 25, 1999 ----	SEPTEMBER 23, 2000 ----	September 25, 1999 ----
Net income (loss)	\$ 290	\$ 837	\$ (196)	\$ 704
Dividends and accretion on preferred stock	(90)	-	(230)	-
	-----	-----	-----	-----
Net income (loss) available to common shareholders	\$ 200	\$ 837	\$ (426)	\$ 704
	=====	=====	=====	=====
Shares:				
Basic - Weighted average common shares outstanding	5,512	5,559	5,496	5,565
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	-	97	-	24
	-----	-----	-----	-----
Dilutive - Weighted average common and common equivalent shares outstanding	5,512	5,656	5,496	5,589
	=====	=====	=====	=====
Net income (loss) per common and common equivalent share:				
Basic	\$ 0.04	\$ 0.15	\$ (0.08)	\$ 0.13
	=====	=====	=====	=====
Diluted	0.04	0.15	(0.08)	0.13
	=====	=====	=====	=====

This schedule contains summary financial information extracted from Transact Technologies Incorporated Quarterly Report on Form 10-Q for the quarter ended September 23, 2000 and is qualified in its entirety by reference to such financial statements.

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9-MOS	DEC-31-2000	
	JAN-01-2000	
	SEP-23-2000	880
		0
		6,800
		141
		12,798
		21,812
		15,740
		8,268
		31,120
		6,418
		0
		3,649
		0
		56
		12,241
31,120		39,582
		39,582
		29,037
		39,524
		(53)
		0
		478
		(367)
		(171)
		(196)
		0
		0
		0
		(196)
		(0.08)
		(0.08)