UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2004

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 incorporation or organization)	(I.R.S. Employer Identification No.)

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 [X] NO [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] NO [X]

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 31, 2004
COMMON STOCK, $.01 PAR VALUE	9,983,637

TRANSACT TECHNOLOGIES INCORPORATED

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ITEM 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)	SEPTEMBER 30, 2004	December 31, 2003
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 6,343	$ 498
Receivables, net	9,316	9,074
Inventories	8,545	8,061
Deferred tax assets	2,438	2,340
Other current assets	375	509
Total current assets	27,017	20,482
Fixed assets, net	3,239	3,607
Goodwill	1,469	1,469
Deferred tax assets	-	684
Other assets	98	119
	4,806	5,879
Total assets	$ 31,823	$ 26,361
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Current portion of term loan	$ -	$ 90
Accounts payable	3,680	3,288
Accrued liabilities	2,662	2,892
Accrued restructuring expenses	480	480
Accrued patent license fees	413	408
Deferred revenue, current portion	1,078	1,537
Total current liabilities	8,313	8,695
Long-term portion of term loan	-	330
Long-term portion of accrued restructuring	1,312	1,645
Long-term portion of accrued patent license fees	-	750
Other long-term liabilities	725	692
	2,037	3,417
Total liabilities	10,350	12,112
Redeemable convertible preferred stock	-	3,902
Shareholders' equity:		
Common stock	69	60
Additional paid-in capital	16,417	8,441
Retained earnings	6,086	1,769
Unamortized restricted stock compensation	(1,206)	(30)
Accumulated other comprehensive income	107	107
Total shareholders' equity	21,473	10,347
Total liabilities and shareholders' equity	$ 31,823	$ 26,361

See notes to condensed consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED SEPTEMBER 30, 2004	2003	NINE MONTHS ENDED SEPTEMBER 30, 2004	2003
Net sales	$ 15,482	$ 15,048	$ 45,251	$ 37,438
Cost of sales	9,585	10,229	28,319	25,966
Gross profit	5,897	4,819	16,932	11,472
Operating expenses:				
Engineering, design and product development	643	550	1,805	1,657
Selling and marketing	1,254	1,194	3,834	3,502
General and administrative	1,528	1,098	4,423	3,316
	3,425	2,842	10,062	8,475
Operating income	2,472	1,977	6,870	2,997
Interest and other income (expense):				
Interest, net	4	(61)	(8)	(183)
Write-off of deferred financing costs	-	(103)	-	(103)
Other, net	4	(32)	3	(58)
	8	(196)	(5)	(344)
Income before income taxes	2,480	1,781	6,865	2,653
Income tax provision	855	641	2,433	924
Net income	$ 1,625	$ 1,140	$ 4,432	$ 1,729
Net income available to common shareholders	$ 1,625	$ 976	$ 4,201	$ 1,355
Net income per common share:				
Basic	$ 0.16	$ 0.11	$ 0.44	$ 0.16
Diluted	$ 0.15	$ 0.10	$ 0.41	$ 0.15
Shares used in per share calculation				
Basic	9,853	8,745	9,483	8,621
Diluted	10,556	9,482	10,278	9,086

See notes to condensed consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

(In thousands)	NINE MONTHS ENDED SEPTEMBER 30, 2004	2003
Cash flows from operating activities:		
Net income	$ 4,432	$ 1,729
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash compensation expense	224	53
Write-off of deferred financing costs	-	103
Depreciation and amortization	1,237	1,278
Deferred income taxes	667	879
Gain on sale of equipment	-	(1)
Changes in operating assets and liabilities:		
Receivables	(242)	(3,391)
Inventories	(484)	(106)
Other current assets	134	(43)
Other assets	2	11
Accounts payable	392	(29)
Accrued liabilities and other liabilities	139	646
Accrued restructuring expenses	(333)	(611)
Net cash provided by operating activities	6,168	518
Cash flows from investing activities:		
Purchases of fixed assets	(850)	(1,156)
Proceeds from sale of fixed assets	-	1
Repayment of loan receivable from officer	-	330
Net cash used in investing activities	(850)	(825)
Cash flows from financing activities:		
Revolving bank loan borrowings, net	-	(632)
Term loan (repayments) borrowings, net	(420)	93
Proceeds from option and warrant exercises, and from issuance of shares under the Employee Stock Purchase Plan	1,112	601
Payment of cash dividends	(91)	(210)
Payment of expenses related to preferred stock conversion and registration of common stock	(74)	-
Net cash provided by (used in) financing activities	527	(148)
Effect of exchange rate changes	-	33
Increase (decrease) in cash and cash equivalents	5,845	(422)
Cash and cash equivalents at beginning of period	498	902
Cash and cash equivalents at end of period	$ 6,343	$ 480

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS

TransAct Technologies Incorporated ("TransAct"), which has headquarters in Wallingford, CT and its primary operating facility in Ithaca, NY, operates in one industry segment, transaction-based printers and related products. TransAct designs, develops, manufactures and markets transaction-based printers under the Ithaca(R) and Magnetec(R) brand names. In addition, we market related consumables, spare parts and service. Our printers are used worldwide to provide transaction records such as receipts, tickets, coupons, register journals and other documents. We focus on two core markets: point-of-sale and banking ("POS") and gaming and lottery. We sell our products to original equipment manufacturers ("OEMs"), value-added resellers, selected distributors and directly to end-users. Our product distribution spans across the Americas, Europe, the Middle East, Africa, the Caribbean Islands and the South Pacific.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These accounting principles were applied on a basis consistent with those of the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to state fairly TransAct's financial position as of September 30, 2004, the results of our operations for the three and nine months ended September 30, 2004 and 2003, and our cash flows for the nine months ended September 30, 2004 and 2003. The December 31, 2003 condensed consolidated balance sheet has been derived from the 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, 2003 included in our Annual Report on Form 10-K.

The financial position and results of operations of our foreign subsidiary are measured using local currency as the functional currency. Assets and liabilities of such subsidiary have been translated at end of period exchange rates, and related revenues and expenses have been translated at weighted average exchange rates with the resulting translation gain or loss recorded in accumulated other comprehensive income. Transaction gains and losses are included in other income.

The results of operations for the three and nine months ended September 30, 2004 are not necessarily indicative of the results to be expected for the full year.

On March 4, 2004, we announced that our Board of Directors approved a three-for-two stock split of our common stock to be effected in the form of a 50 percent stock dividend. The additional shares were payable April 2, 2004 to shareholders of record at the close of business on March 17, 2004. As a result of the stock dividend, all shareholders of record received one additional share of common stock for every two shares of common stock held on the record date, and cash instead of any fractional shares. All share and per share amounts within the accompanying condensed consolidated financial statements and footnotes reflect the stock split on a retroactive basis.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

2. ACCOUNTING FOR STOCK-BASED COMPENSATION

We have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for stock options. Since the exercise price of employee stock options granted by the Company equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. We have adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), as amended by Statement of Financial Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FAS 123" ("FAS 148").

During the three and nine months ending September 30, 2004, we granted 3,000 and 81,000 shares of restricted stock, respectively, to key employees under the 1996 Stock Plan. Deferred compensation of $61,000 and $1,400,000 was recorded with respect to these grants in the three and nine months ended September 30, 2004, respectively, and will be recognized into expense over the vesting period (between one and five years).

The following table illustrates the effect on net income, compensation expense and net income per share as if the Black-Scholes fair value method pursuant to FAS 123 had been applied to our stock plans. For the 2003 periods presented, stock-based compensation expense determined under the fair value method has been adjusted to properly reflect related tax effects.

	Three months ended September 30,		Nine months ended September 30,	
(In thousands, except per share data)	2004	2003	2004	2003
Net income available to common shareholders:				
Net income available to common shareholders, as reported	$ 1,625	$ 976	$ 4,201	$ 1,355
Add: Stock-based compensation expense included in reported net income, net of tax	53	9	143	34
Deduct: Stock-based compensation expense determined under fair value based method for all awards, net of tax	(148)	(192)	(233)	(450)
Pro forma net income available to common Shareholders	$ 1,530	$ 793	$ 4,111	$ 939
Net income per common share:				
Basic:				
As reported	$ 0.16	$ 0.11	$ 0.44	$ 0.16
Pro forma	$ 0.16	$ 0.09	$ 0.43	$ 0.11
Diluted:				
As reported	$ 0.15	$ 0.10	$ 0.41	$ 0.15
Pro forma	$ 0.14	$ 0.08	$ 0.40	$ 0.10

2. ACCOUNTING FOR STOCK-BASED COMPENSATION (CONT)

During the three and nine months ended September 30, 2004, we received cash proceeds of approximately $286,000 and $1,085,000, respectively, from the issuance of approximately 70,000 and 227,000 shares of common stock resulting from stock option and warrant exercises. We also recorded a related tax benefit that was credited to Additional Paid-In Capital of approximately $459,000 and $1,635,000 in the three and nine months ended September 30, 2004, respectively, resulting from subsequent employee stock sales.

3. INVENTORIES

The components of inventories are:

(In thousands)	September 30, 2004	December 31, 2003
Raw materials and component parts	$ 8,311	$ 7,947
Finished goods	234	114
	$ 8,545	$ 8,061

4. ACCRUED PRODUCT WARRANTY LIABILITY

The following table summarizes the activity recorded in the accrued product warranty liability during the three and nine months ended September 30, 2004 and 2003.

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2004	2003	2004	2003
Balance, beginning of period	$ 516	$ 601	$ 495	$ 644
Additions related to warranties issued	100	125	405	320
Warranty costs incurred	(78)	(166)	(362)	(404)
Balance, end of period	$ 538	$ 560	$ 538	$ 560

Approximately $134,000 and $169,000 of the accrued product warranty liability are classified as other long-term liabilities at September 30, 2004 and December 31, 2003, respectively. The current portion of the accrued product warranty liability is included in accrued liabilities in the accompanying balance sheet.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. ACCRUED BUSINESS CONSOLIDATION AND RESTRUCTURING

In February 2001, we undertook a plan to consolidate all manufacturing and engineering into our existing Ithaca, NY facility and close our Wallingford, CT manufacturing facility (the "Consolidation"). As of December 31, 2001, substantially all Wallingford product lines were successfully transferred to Ithaca, NY. We continue to apply the consensus set forth in EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)" in recognizing the accrued restructuring expenses relating to the consolidation. The remaining accrued restructuring balance relates to lease and other occupancy costs related to unused space at our Wallingford facility through the end of the lease term.

The following table summarizes the activity recorded in accrued restructuring expenses during the three and nine months ended September 30, 2004 and 2003.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2004	2003	2004	2003
Accrual balance, beginning of period	$ 1,904	$ 1,226	$ 2,125	$ 1,718
Cash payments	(112)	(119)	(333)	(611)
Accrual balance, end of period	$ 1,792	$ 1,107	$ 1,792	$ 1,107

6. EARNINGS PER SHARE

Beginning in the second quarter of 2004, the Company applied the consensus set forth in EITF 03-06 "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share", which requires the two-class method of computing earnings per share when participating securities, such as our redeemable preferred stock, are outstanding. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities based upon an allocation of earnings as if all of the earnings for the period had been distributed in accordance with participation rights on undistributed earnings. EITF 03-6 became effective for reporting periods beginning after March 31, 2004. This guidance impacted the calculation of earnings per share for the nine months ended September 30, 2004 and also requires retroactive restatement of earnings per share presented for the three and nine months ended September 30, 2003. Because the preferred stock converted in April 2004, there was no impact on earnings per share for the three months ended September 30, 2004.

Previously reported earnings per share amounts for 2003 have been restated as follows:

	Three Months Ended September 30, 2003		Nine Months Ended September 30, 2003	
(In thousands)	As previously reported, split adjusted	Restated for EITF 03-6	As previously reported, split adjusted	Restated for EITF 03-6
Net income available to common shareholders	$ 1,050	$ 976	$ 1,460	$ 1,355
Net income per common Share:				
Basic	$ 0.12	$ 0.11	$ 0.17	$ 0.16
Diluted	$ 0.11	$ 0.10	$ 0.16	$ 0.15

6. EARNINGS PER SHARE (CONT)

For the nine months ended September 30, 2004 and for the three and nine months ended September 30, 2003, diluted earnings per share calculations assumed no conversion of the convertible mandatorily redeemable preferred stock (which was converted into 666,665 shares of common stock, partly on April 20 and the remainder on April 26, 2004), as the effect would have been anti-dilutive.

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net income	$ 1,625	$ 1,140	$ 4,432	$ 1,729
Dividends and accretion charges on preferred stock	-	(90)	(111)	(269)
Earnings allocation to preferred shareholders	-	(74)	(120)	(105)
Net income available to common shareholders	$ 1,625	$ 976	$ 4,201	$ 1,355
SHARES:				
Basic: Weighted average common shares outstanding	9,853	8,745	9,483	8,621
Add: Dilutive effect of outstanding options, warrants and restricted stock as determined by the treasury stock method	703	737	795	465
Diluted: Weighted average common and common equivalent shares outstanding	10,556	9,482	10,278	9,086
NET INCOME PER COMMON SHARE:				
Basic	$ 0.16	$ 0.11	$ 0.44	$ 0.16
Diluted	$ 0.15	$ 0.10	$ 0.41	$ 0.15

Unvested restricted stock is excluded from the calculation of weighted average common shares for basic EPS. For diluted EPS, weighted average common shares include the impact of restricted stock under the treasury method.

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

FORWARD LOOKING STATEMENTS

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. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "project" or "continue" or the negative thereof or other similar words. 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; introduction of new products into the marketplace by competitors; successful product development; dependence on significant customers; dependence on significant vendors; the ability to recruit and retain quality employees as we grow; dependence on third parties for sales outside the United States including Australia, New Zealand, Europe and Latin America; economic and political conditions in the United States, Australia, New Zealand, Europe and Latin America; marketplace acceptance of new products; availability of third-party components at reasonable prices; and the absence of price wars or other significant pricing pressures affecting our products in the United States and abroad. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements. The forward-looking statements speak only as of the date of this report and we assume no duty to update them to reflect new, changing or unanticipated events or circumstances.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared by us in accordance with accounting principles generally accepted in the United States of America. The presentation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities. Our estimates include those related to revenue recognition, inventory obsolescence, the valuation of deferred tax assets and liabilities, depreciable lives of equipment, warranty obligations, contingent liabilities and restructuring accruals. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. For a complete description of our accounting policies, see Item 7 - - Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Accounting Policies and Estimates," included in our Form 10-K for the year ended December 31, 2003.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2003

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

(In thousands)	Three months ended September 30, 2004		Three months ended September 30, 2003		Change $	Change %
Point of sale and banking	$ 5,808	37.5%	$ 6,053	40.2%	$ (245)	(4.0%)
Gaming and lottery	9,674	62.5%	8,995	59.8%	679	7.5%
	$ 15,482	100.0%	$ 15,048	100.0%	$ 434	2.9%
International *	$ 1,658	10.7%	$ 1,116	7.4%	$ 542	48.6%

*International sales do not include sales of printers made to domestic distributors or other customers who in turn ship those printers to international destinations.

Net sales by product type for the current and prior year's quarter were as follows:

(In thousands)	Three months ended September 30, 2004			Three months ended September 30, 2003			Change $		Change %
Printers - POS and banking	$	3,968	25.6%	$	4,326	28.7%	$	(358)	(8.3%)
Printers - Gaming and lottery		8,971	58.0%		8,531	56.7%		440	5.2%
Subtotal - printers		12,939	83.6%		12,857	85.4%		82	0.6%
Services and consumables		2,543	16.4%		2,191	14.6%		352	16.1%
Total net sales	$	15,482	100.0%	$	15,048	100.0%	$	434	2.9%

Net sales for the third quarter of 2004 increased $434,000, or 3%, from the same period last year due to higher printer shipments (an increase of approximately $440,000, or 5%) into our gaming and lottery market, in part offset by lower printer shipments (a decrease of approximately $358,000, or 8%) into our point of sale ("POS") and banking market. Sales of our services and consumables products, which include the repair of printers and the sale of spare parts and consumables (paper, ribbons and inkjet cartridges), also increased by $352,000, or 16%, as our installed base of printers grows and we continue to aggressively pursue these sales. Overall, international sales increased by $542,000, or 49%, due to higher international shipments of our gaming printers, primarily to Australia and Europe.

POINT OF SALE AND BANKING:

Sales of our POS and banking products worldwide decreased approximately $245,000, or 4%.

(In thousands)	Three months ended September 30, 2004			Three months ended September 30, 2003			Change $	Change %
Domestic	$	4,876	84.0%	$	5,003	82.7%	$ (127)	(2.5%)
International		932	16.0%		1,050	17.3%	(118)	(11.2%)
	$	5,808	100.0%	$	6,053	100.0%	$ (245)	(4.0%)

Domestic POS and banking revenue decreased to $4,876,000, representing a $127,000, or 3%, decrease from the third quarter of 2003, due largely to lower sales of our Bankjet(R) line of inkjet printers, partly offset by increasing sales of our recently launched iTherm(TM)280 thermal printer. In addition, we reported higher service, spare parts and consumables revenue in the third quarter of 2004 compared to the third quarter of 2003. Sales of our Bankjet(R) line of inkjet printers decreased by approximately 50% in the third quarter of 2004 compared to the third quarter of 2003. The decrease is largely attributable to the expected completion of almost all shipments of Bankjet(R) printers to two major financial services companies to upgrade bank teller stations.

International POS and banking product shipments decreased by approximately $118,000, or 11%, to $932,000, due primarily to lower sales through our network of international distributors.

Historically, sales of printers in the POS and banking market have increased in the third quarter and decreased in the fourth quarter, as retailers typically reduce purchases of new POS equipment in the fourth quarter due to the increased volume of consumer transactions in that holiday period. Despite this, we expect sales into the POS and banking market for the fourth quarter of 2004 to be consistent with those reported for the third quarter of 2004 and the fourth quarter of 2003. We also expect sales of our banking printers to be consistent with those reported in the third quarter of 2004, but lower than those reported in the fourth quarter 2003, as we substantially completed shipments of our Bankjet(R) line of inkjet printers to two major financial services companies to upgrade bank teller stations in the second quarter of 2004. We are currently pursuing new opportunities with new customers for further upgrade projects using our Bankjet(R) line of inkjet printers for shipment in 2005. However, sales of our banking printers are project-oriented and will vary from quarter to quarter based on the number and size of projects, and the timing of installation of our printers.

GAMING AND LOTTERY:

Sales of our gaming and lottery products increased by $679,000, or 8%, from the third quarter a year ago, primarily due to an increase in sales of our slot machine and other gaming printers in North America, Australia and Europe largely offset by lower sales of lottery products to GTECH.

(In thousands)	Three months ended September 30, 2004		Three months ended September 30, 2003		Change $	%
Domestic	$ 8,948	92.5%	$ 8,929	99.3%	$ 19	0.2%
International	726	7.5%	66	0.7%	660	1000.0%
	$ 9,674	100.0%	$ 8,995	100.0%	$ 679	7.5%

(In thousands)	Three months ended September 30, 2004		Three months ended September 30, 2003		Change $	%
Gaming	$ 6,306	65.2%	$ 4,312	47.9%	$ 1,994	46.2%
Lottery	3,368	34.8%	4,683	52.1%	(1,315)	(28.1%)
	$ 9,674	100.0%	$ 8,995	100.0%	$ 679	7.5%

Sales of our gaming products, which include video lottery terminal ("VLT") printers and slot machine printers used in casinos and racetracks ("racinos"), and related spare parts and repairs, increased by approximately $1,994,000, or 46%, to $6,306,000. This increase resulted primarily from significantly increased installations of our casino printers, primarily for use in slot machines at casinos throughout North America that print receipts instead of issuing coins ("ticket-in, ticket-out" or "TITO"), as well as increasing sales of gaming printers in Australia and Europe. Based on existing orders and sales opportunities for TITO printers, we expect sales of our casino printers to continue to increase during the fourth quarter of 2004 compared to the comparable period in 2003, as casinos continue to convert to TITO slot machines. Also, due to state government budget shortfalls, many states have approved or are considering VLT initiatives as a means of raising revenue. As a result, we also expect sales of our VLT printers to increase during the fourth quarter of 2004 compared to the comparable period in 2003.

Total sales to GTECH Corporation ("GTECH") (a worldwide lottery terminal provider and major customer), which include impact and thermal on-line lottery printers, and spare parts revenue, decreased by $1,315,000 to approximately $3,368,000, or 22% of net sales, in the third quarter of 2004, compared to $4,683,000, or 31% of net sales, in the third quarter of 2003. This is primarily due to a shift in timing of orders for thermal lottery printers from GTECH from the second and third quarters of 2004 to the fourth quarter of 2004 and the first quarter of 2005.

In July 2002, we entered into a 5-year agreement with GTECH to provide a newly designed thermal on-line lottery printer. As of September 30, 2004, we have received orders from GTECH for approximately $1.5 million of these thermal printers that we expect to ship during the fourth quarter of 2004. We expect to ship more thermal lottery printers during the fourth quarter than in the third quarter, due to the shift in GTECH's forecast. We still anticipate receiving additional orders from GTECH for thermal on-line lottery printers for delivery in 2004.

We also received orders from GTECH for approximately $2.0 million of our legacy impact on-line lottery printer for shipment during the second and third quarters of 2004, all of which have been shipped as of September 30, 2004. We do not expect any further shipments of impact on-line lottery printers beyond 2004, as GTECH has substantially replaced our legacy impact on-line lottery printer with our newly designed thermal on-line lottery printer.

See the table below for an analysis of revenues from GTECH:

(In thousands, except %)	Three months ended September 30, 2004	2003
Impact on-line lottery printers and spare parts	$1,614	$ 308
Thermal on-line lottery printers	1,754	4,375
	$3,368	$4,683
% of consolidated net sales	22%	31%

International sales into the gaming and lottery market increased $660,000, to $726,000 in the third quarter of 2004. Although we expected international sales into the gaming and lottery market to remain relatively flat in the third quarter of 2004 compared to the second quarter of 2004, we experienced an increase in sales of VLT and casino printers into Australia and Europe sooner than we had anticipated. We expect moderate growth in these sales during the fourth quarter of 2004 compared to the third quarter of 2004, with more significant growth in 2005 as we expect sales of our gaming printers (primarily thermal casino printers) to accelerate in Australia and Europe.

GROSS PROFIT. Gross profit increased $1,078,000, or 22%, and gross margin increased to 38.1% from 32.0%, due primarily to a more favorable sales mix of higher margin products and continued reductions in component costs in the third quarter of 2004 compared to the third quarter of 2003. We expect gross margin for the fourth quarter of 2004 to be consistent with the gross margin reported for the first nine months of 2004.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses primarily include salary and payroll related expenses for our engineering staff, depreciation and design expenses (including prototype printer expense, outside design and testing services, and supplies). Such expenses increased by $93,000, or 17%, as we incurred increased design and testing expenses related to the development and launch of our new Epic950(R) gaming printer. Such expenses increased as a percentage of net sales to 4.2% from 3.7%, due primarily to these increased costs in proportion to consistent sales in the third quarter of 2004 compared to the third quarter of 2003. We expect engineering and product design development expenses for the fourth quarter of 2004 to be consistent with those reported in the third quarter of 2004.

SELLING AND MARKETING. Selling and marketing expenses primarily include salaries and payroll related expenses for our sales and marketing staff, sales commissions, travel expenses, expenses associated with the lease of sales offices, advertising, trade show expenses and other promotional marketing expenses. Selling and marketing expenses increased by $60,000, or 5%, due primarily to higher print advertising and other promotional marketing expenses related to the launch of the Epic950(R) (approximately $60,000) and higher compensation related expenses, including additional sales staff and expenses associated with the opening of a new sales office in Las Vegas to support our growing gaming printer sales (approximately $30,000) and recruitment and compensation-related expenses related to adding sales and marketing staff (approximately $40,000), offset by lower expenses at our UK facility due to a staff reduction (approximately $40,000). Selling and marketing expenses increased slightly as a percentage of net sales to 8.1% from 7.9%, due primarily to the higher costs identified above in the third quarter of 2004 compared to the third quarter of 2003. We expect selling and marketing expenses to be somewhat higher in the fourth quarter of 2004 compared to the third quarter of 2004, as we plan to increase our sales staff to broaden our efforts and continue to grow our sales in each of our markets.

GENERAL AND ADMINISTRATIVE. General and administrative expenses primarily include salaries and payroll related expenses for our executive, accounting, human resource and information technology staff, expenses for our corporate headquarters, professional and legal expenses; and telecommunication expenses. General and administrative expenses increased by $430,000, or 39%, due largely to higher professional expenses, including those related to compliance with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), and additional finance staff related to both Sarbanes - Oxley and our CFO transition plan. In addition, during the third quarter, we incurred approximately $95,000 of one-time listing fees related to our move back onto the NASDAQ National Market from the NASDAQ SmallCap Market. General and administrative expenses increased as a percentage of net sales to 9.9% from 7.3% due primarily to the factors listed above. We expect general and administrative expenses to continue to increase in the fourth quarter of 2004, largely due to professional fees related to compliance with Sarbanes-Oxley. We expect to incur approximately $600,000 to $700,000 of external expenses directly related to compliance with Sarbanes-Oxley for the full year of 2004.

OPERATING INCOME. During the third quarter of 2004 we reported operating income of $2,472,000, or 16.0% of net sales, compared to $1,977,000, or 13.1% of net sales in the third quarter of 2003. The substantial increase in our operating income and operating margin was due largely to higher gross profit on higher sales, partially offset by higher operating expenses in the third quarter of 2004 compared to that of 2003. We also significantly improved our operating margin by 25% to 16% of net sales. This improvement demonstrates the substantial operating leverage we have in our business that we expect to continue during the fourth quarter of 2004.

INTEREST. We recorded net interest income of $4,000 compared to net interest expense of $61,000 in the third quarter of 2003, as we repaid all outstanding revolving borrowings at December 31, 2003 and the remaining outstanding balance on our term loan in January 2004. We do not expect to draw on our revolving borrowings as we continue to generate cash from operations through the remainder of 2004. During the fourth quarter of 2004 and into 2005, we expect to report increasing net interest income compared to the net interest expense that was experienced in 2003 and the early part of 2004. See "Liquidity and Capital Resources" below for more information.

INCOME TAXES. We recorded an income tax provision of $855,000 and $641,000 in the third quarter of 2004 and 2003, respectively, at an effective rate of 34.5% and 36.0%, respectively. The lower effective tax rate in the 2004 period reflects the reversal of tax reserves for certain tax credits.

NET INCOME. We reported net income during the third quarter of 2004 of $1,625,000, or $0.15 per diluted share compared to net income of $1,140,000, or $0.10 per diluted share for the third quarter of 2003. Earnings per share has been retroactively restated for adoption of EITF 03-06 "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share", which requires the two-class method of computing earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities based upon an allocation of earnings as if all of the earnings for the period had been distributed in accordance with participation rights on undistributed earnings. There was no preferred stock dividend payments or allocation of earnings to preferred shareholders beyond the second quarter of 2004, as the preferred stock was converted to common stock in April 2004. All share and per share amounts reflect the April 2004 stock split on a retroactive basis.

NINE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2003

NET SALES. Net sales by market for the current and prior year's nine month period are as follows:

(In thousands)	Nine months ended September 30, 2004		Nine months ended September 30, 2003		Change $	Change %
Point of sale and banking	$ 18,968	41.9%	$ 15,192	40.6%	$ 3,776	24.9%
Gaming and lottery	26,283	58.1%	22,246	59.4%	4,037	18.1%
	$ 45,251	100.0%	$ 37,438	100.0%	$ 7,813	20.9%
International *	$ 4,249	9.4%	$ 3,500	9.3%	$ 749	21.4%

* International sales do not include sales of printers made to domestic distributors or other domestic customers who in turn ship those printers to international destinations.

Net sales by product type for the current and prior year's nine month period were as follows:

(In thousands)	Nine months ended September 30, 2004		Nine months ended September 30, 2003		Change $	Change %
Printers - POS and banking	$ 13,597	30.0%	$ 10,246	27.4%	$ 3,351	32.7%
Printers - Gaming and lottery	24,286	53.7%	20,769	55.4%	3,517	16.9%
Subtotal - printers	37,883	83.7%	31,015	82.8%	6,868	22.1%
Services and consumables	7,368	16.3%	6,423	17.2%	945	14.7%
Total net sales	$ 45,251	100.0%	$ 37,438	100.0%	$ 7,813	20.9%

Net sales for the first nine months of 2004 increased $7,813,000, or 21%, from the prior year's first nine months due to significantly higher printer shipments (approximately $6,868,000, or 22%) into both our gaming and lottery market and POS and banking market. Sales of our services and consumables products, which include the repair of printers and the sale of spare parts and consumables (paper, ribbons and inkjet cartridges), also increased by $945,000, or 15%, as our installed base of printers grows and we continue to aggressively pursue these sales. Overall, international sales increased by $749,000, or 21%, due to higher international shipments of our gaming printers, primarily to Australia and Europe.

POINT OF SALE AND BANKING:

Sales of our POS and banking products worldwide increased approximately $3,776,000, or 25%.

(In thousands)	Nine months ended September 30, 2004		Nine months ended September 30, 2003		Change $	Change %
Domestic	$ 16,116	85.0%	$ 12,153	80.0%	$ 3,963	32.6%
International	2,852	15.0%	3,039	20.0%	(187)	(6.2%)
	$ 18,968	100.0%	$ 15,192	100.0%	$ 3,776	24.9%

Domestic POS and banking printer sales increased to $16,116,000, representing a $3,963,000, or 33%, increase from the first nine months of 2003, due primarily to significantly higher sales of our Bankjet(R) line of inkjet PRINTERS. Sales of our

Bankjet(R) line of inkjet printers increased by approximately 244% in the first nine months of 2004 compared to the first nine months of 2003. The increase is largely attributable to shipments of our Bankjet(R) line of inkjet printers to two major financial services companies to upgrade bank teller stations. We substantially completed shipments to these two companies in the third quarter. In addition, we reported higher service, spare parts and consumables revenue in the first nine months of 2004 compared to the first nine months of 2003.

International POS and banking product shipments decreased by approximately $187,000, or 6%, to $2,852,000, due primarily to lower sales of our printers through our network of international distributors (primarily in Europe and Latin America), somewhat offset by higher service, spare parts and consumables revenue.

Historically, sales of printers in the POS and banking market have increased in the third quarter and decreased in the fourth quarter, as retailers typically reduce purchases of new POS equipment in the fourth quarter due to the increased volume of consumer transactions in that holiday period. Despite this, we expect sales into the POS and banking market for the fourth quarter of 2004 to be consistent with those reported for the third quarter of 2004 and the fourth quarter of 2003. We also expect sales of our banking printers to be consistent with those reported in the third quarter of 2004, but lower than those reported in the fourth quarter 2003, as we substantially completed shipments of our Bankjet(R) line of inkjet printers to two major financial services companies to upgrade bank teller stations in the second quarter of 2004. We are currently pursuing new opportunities with new customers for further upgrade projects using our Bankjet(R) line of inkjet printers for shipment in 2005. However, sales of our banking printers are project-oriented and will vary from quarter to quarter based on the number and size of projects, and the timing of installation of our printers.

GAMING AND LOTTERY:

Sales of our gaming and lottery printers increased by $4,037,000, or 18%, from the first nine months of 2003, primarily due to significantly higher shipments of our slot machine printers, somewhat offset by lower printer shipments of on-line lottery printers to GTECH.

(In thousands)	Nine months ended September 30, 2004		Nine months ended September 30, 2003		Change $	Change %
Domestic	$ 24,886	94.7%	$ 21,785	97.9%	$ 3,101	14.2%
International	1,397	5.3%	461	2.1%	936	203.0%
	$ 26,283	100.0%	$ 22,246	100.0%	$ 4,037	18.1%

(In thousands)	Nine months ended September 30, 2004		Nine months ended September 30, 2003		Change $	Change %
Gaming	$ 19,476	74.1%	$ 13,468	60.5%	$ 6,008	44.6%
Lottery	6,807	25.9%	8,778	39.5%	(1,971)	(22.5%)
	$ 26,283	100.0%	$ 22,246	100.0%	$ 4,037	18.1%

Sales of our gaming products, which include VLT and slot machine printers, and related spare parts and repairs, increased by approximately $6,008,000, or 45%. This increase resulted primarily from significantly increased installations of our casino printers, primarily for use in slot machines at casinos throughout North America that print receipts instead of issuing coins ("ticket-in, ticket-out" or "TITO"), as well as increasing sales of gaming printers in Australia and Europe. Based on existing orders and sales opportunities for TITO printers, we expect sales of our casino printers to continue to increase during the fourth quarter of 2004 compared to 2003, as casinos continue to convert to TITO slot machines. Also, due to state government budget shortfalls, many states have approved or are considering VLT initiatives as a means of raising revenue. As a result, we also expect sales of our VLT printers to increase during the fourth quarter of 2004 compared to the fourth quarter of 2003.

Total sales to GTECH, which include impact and thermal on-line lottery printers, and spare parts revenue, decreased by $1,971,000 to approximately $6,807,000, or 15% of net sales, in the first nine months of 2004, compared to $8,778,000, or 23% of net sales, in the first nine months of 2003, primarily due to a shift in timing of orders for thermal lottery printers from GTECH from the second and third quarters of 2004 to the fourth quarter of 2004 and the first quarter of 2005.

In July 2002, we entered into a 5-year agreement with GTECH to provide a newly designed thermal on-line lottery printer. As of September 30, 2004, we have received orders from GTECH for approximately $1.5 million of these thermal printers that we expect to ship during the fourth quarter of 2004. We expect to ship more thermal lottery printers during the fourth quarter than in the third quarter, due to the shift in GTECH's forecast. We still anticipate receiving additional orders from GTECH for thermal on-line lottery printers for delivery in 2004.

We also received orders from GTECH for approximately $2.0 million of our legacy impact on-line lottery printer for shipment during the second and third quarters of 2004, all of which have been shipped as of September 30, 2004. We do not expect any further shipments of impact on-line lottery printers beyond 2004, as GTECH has substantially replaced our legacy impact on-line lottery printer with our newly designed thermal on-line lottery printer.

See the table below for an analysis of revenues from GTECH.

(In thousands, except %)	Nine months ended September 30, 2004	2003
Impact on-line lottery printers and spare parts	$3,173	$1,405
Thermal on-line lottery printers	3,634	7,373
	$6,807	$8,778
% of consolidated net sales	15%	23%

International sales into the gaming and lottery market increased $936,000, or 203%, to $1,397,000 in the first nine months of 2004, as we experienced higher sales of VLT and casino printers into Australia and Europe through our international distributors. We expect moderate growth in these sales during the fourth quarter of 2004 compared to the third quarter of 2004, with more significant growth in 2005 as we expect sales of our gaming printers (primarily thermal casino printers) to accelerate in Australia and Europe.

GROSS PROFIT. Gross profit increased $5,460,000, or 48%, and gross margin increased to 37.4% from 30.6%, due primarily to higher volume of sales, a more favorable sales mix, and continued reductions in component costs in the first nine months of 2004 compared to the first nine months of 2003. We expect gross margin for the fourth quarter of 2004 to be consistent with the gross margin reported for the first nine months of 2004.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased by $148,000, or 9%, due primarily to higher compensation and related expenses, and increased design and testing expenses related to the development and launch of our new Epic950(R) gaming printer. Such expenses decreased as a percentage of net sales to 4.0% from 4.4%, due primarily to a higher volume of sales in the first nine months of 2004 compared to the first nine months of 2003. We expect engineering and product design development expenses for the fourth quarter of 2004 to be consistent with those reported in the third quarter of 2004.

SELLING AND MARKETING. Selling and marketing expenses increased by $332,000, or 9%, due primarily to higher (1) sales commissions resulting from higher sales in the first nine months of 2004 compared to the first nine months of 2003 (approximately $12,000), (2) compensation related expenses, including additional sales staff and expenses associated with the opening of a new sales office in Las Vegas to support our growing gaming printer sales (approximately $240,000) and (3) recruitment and compensation-related expenses related to adding sales and marketing staff (approximately $190,000). Such increases were partially offset by lower print advertising and other promotional marketing expenses (approximately $50,000) and lower expenses at our UK facility due to a staff reduction (approximately $120,000). Selling and marketing expenses decreased as a percentage of net sales to 8.5% from 9.4%, due primarily to higher volume of sales in the first nine months of 2004 compared to the first nine months of 2003. We expect selling and marketing expenses to be somewhat higher in the fourth quarter of 2004 compared to the third quarter of 2004, as we plan to increase our sales staff to broaden our efforts and continue to grow our sales in each of our markets.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased by $1,107,000, or 33%, due largely to higher professional expenses, including those related to compliance with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), and additional finance staff related to both Sarbanes-Oxley and our CFO transition plan. In addition, during the second quarter, we expensed approximately $110,000 of costs we incurred in conducting due diligence related to our proposed acquisition of TPG, Inc., as the proposed transaction was terminated, and during the third quarter, we incurred approximately $95,000 of one-time listing fees related to our move back onto the NASDAQ National Market from the NASDAQ SmallCap Market. General and administrative expenses increased as a percentage of net sales to 9.8% from 8.9% due primarily to the factors listed above, partially offset by a higher volume of sales in the first nine months of 2004 compared to the first nine months of 2003. We expect general and administrative expenses to continue to increase in the fourth quarter of 2004, largely due to professional fees related to compliance with Sarbanes-Oxley. We expect to incur approximately $600,000 to $700,000 of external expenses directly related to compliance with Sarbanes-Oxley for the full year of 2004.

OPERATING INCOME. During the first nine months of 2004 we reported operating income of $6,870,000, or 15.2% of net sales, compared to $2,997,000, or 8.0% of net sales, in the first nine months of 2003. The significant increase in our operating income and operating margin was due largely to higher gross profit on higher sales, partially offset by higher operating expenses in the first nine months of 2004 compared to the same period of 2003. Although sales increased by 21% in the first nine months of 2004 compared to the first nine months of 2003, operating expenses only increased 19%, which provided additional operating leverage that we expect to continue during the fourth quarter of 2004.

INTEREST. Net interest expense decreased to $8,000 from $183,000 in the first nine months of 2003 as we repaid all outstanding revolving borrowings at December 31, 2003 and the remaining outstanding balance on our term loan in January 2004. We do not expect to draw on our revolving borrowings as we continue to generate cash from operations through the remainder of 2004. During the fourth quarter of 2004 and into 2005, we expect to report increasing net interest income as we expect the interest earned on our cash balances to exceed our interest expense of approximately $10,000 per quarter related to interest on unused borrowings under our revolving credit line. See "Liquidity and Capital Resources" below for more information.

INCOME TAXES. We recorded an income tax provision of $2,433,000 and $924,000 in the first nine months of 2004 and 2003, respectively, at an effective rate of 35.4% and 34.8%, respectively.

NET INCOME. We reported net income during the first nine months of 2004 of $4,432,000, or $0.41 per diluted share compared to net income of $1,729,000, or $0.15 per diluted share, for the first nine months of 2003. Earnings per share has been retroactively restated for adoption of EITF 03-06 "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share", which requires the two-class method of computing earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities based upon an allocation of earnings as if all of the earnings for the period had been distributed in accordance with participation rights on undistributed earnings. Dividends paid in the first six months of 2004 were approximately $86,000 and there will be no dividends or allocation of earnings to preferred shareholders beyond the first six months of 2004, as the preferred stock was converted to common stock in April 2004. All share and per share amounts reflect the April 2004 stock split on a retroactive basis.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Overview: In the first nine months of 2004, we significantly improved our operating results, including cash flows, compared to 2003. We repaid our remaining outstanding debt in January 2004 and ended the quarter with approximately $6.3 million in cash and cash equivalents. Looking forward, we expect to generate approximately $7 to $8 million in cash from operations during 2004 and anticipate having between $7 and $8 million of cash on our balance sheet at the end of 2004. We also expect to earn interest income on our available cash balance throughout 2004.

Operating activities: The following significant factors affected our cash provided by operations of $6,168,000 in the first nine months of 2004:

- We reported net income of $4,432,000

- We recorded depreciation, amortization and non-cash compensation expense of $1,461,000

- Accounts receivable increased by $242,000 due to timing of sales during the quarter

- Inventories increased by $484,000, as we prepared for our expected higher sales volume in the fourth quarter of 2004 and the launch of our new EPIC 950(TM) Thermal Slot Machine Printer

- Other current assets decreased by $134,000 due primarily to receipts of federal and state tax refunds in the first quarter of 2004

- Deferred taxes decreased by $667,000 as we realize the tax assets related to certain accruals and reserves

- Accrued liabilities and other liabilities increased by $139,000

- Accrued restructuring expenses decreased by $333,000 due to payments made for lease obligation costs

During the second quarter of 2004, we signed a cross licensing agreement with Seiko Epson. Under the agreement, Seiko Epson received a license to three of our patents, and we received a license to eighteen of Seiko Epson's patents relating to printing applications for the point of sale and banking markets. In addition, we agreed to pay $900,000 as a royalty for the usage of certain Seiko Epson technology prior to January 1, 2003. We had accrued for the $900,000 royalty for past usage as of December 31, 2003. In accordance with the terms of the agreement, we paid $525,000 of the royalty in the second quarter of 2004, and will pay the remaining $375,000 in the first quarter of 2005. Under the agreement, we continue to pay royalties on a quarterly basis related to the current sales of licensed printers, which is reflected in cost of sales.

As of September 30, 2004 and December 31, 2003, our restructuring accrual amounted to $1,792,000 and $2,125,000, respectively. We expect to pay approximately $480,000 of these expenses per year from 2004 through 2007, and the remaining $74,000 in 2008. These payments from 2004 through 2008 relate primarily to lease obligation costs for unused space in our Wallingford, CT facility.

Investing activities: Our capital expenditures were approximately $850,000 and $1,156,000 in the first nine months of 2004 and 2003, respectively. Expenditures in 2004 primarily included new product tooling and computer hardware and software. We expect capital expenditures for the full year 2004 to be approximately $1,200,000, primarily for tooling for new products and enhanced versions of our existing products.

Financing activities: We generated approximately $527,000 from financing activities during the first nine months of 2004, largely due to proceeds from stock option exercises (approximately $1,112,000), largely offset by the repayment of our term loan (approximately $420,000) and payments of cash dividends on our preferred stock (approximately $91,000).

WORKING CAPITAL

Our working capital increased to $18,704,000 at September 30, 2004 from $11,787,000 at December 31, 2003. The current ratio also increased to 3.25 to 1 at September 30, 2004 from 2.36 to 1 at December 31, 2003. The increase in both working capital and the current ratio was due largely to higher cash and cash equivalents ($5,845,000), higher inventories ($484,000), and higher receivables ($242,000) compared to December 31, 2003.

DEFERRED TAXES

As of September 30, 2004, we had a net deferred tax asset of approximately $2,357,000. In order to utilize this deferred tax asset, we will need to generate approximately $6.5 million of taxable income in future years. Based on future projections of taxable income, we have determined that it is more likely than not that the existing net deferred tax asset will be realized.

CREDIT FACILITY AND BORROWINGS

On August 6, 2003, we entered into a $12.5 million credit facility (the "Banknorth Credit Facility") with Banknorth N.A. The Banknorth Credit Facility provides for an $11.5 million revolving credit line expiring on July 31, 2006, and a $1 million equipment loan facility which may be drawn down through July 31, 2004. Borrowings under the revolving credit line bear a floating rate of interest at the prime rate. Borrowings under the equipment loan bear a floating rate of interest at the prime rate plus 0.25%, which is included in interest expense. The Banknorth Credit Facility imposes certain quarterly financial covenants on the Company and restricts the payment of dividends on its common stock and the creation of other liens.

On November 12, 2004, we amended our $12.5 million Banknorth Credit Facility. Under the terms of the agreement, we renewed our $1.0 million equipment loan, which had expired on July 31, 2004. The amendment also revised certain other terms of the revolving credit facility.

The borrowing base of the revolving credit line under Banknorth Credit Facility is based on the lesser of (a) $11.5 million or (b) 85% of eligible accounts receivable plus (i) the lesser of (1) $5,500,000 and (2) 45% of eligible raw material inventory plus 50% of eligible finished goods inventory, less (ii) a $40,000 credit reserve. Concurrent with the signing of the Banknorth Credit Facility, we borrowed $450,000 under the equipment loan facility.

As of September 30, 2004, we had no balances outstanding on the revolving credit line and term loan, respectively. Undrawn commitments under the Banknorth Credit Facility were approximately $11,500,000 at September 30, 2004.

However, our maximum additional available borrowings under the facility were limited to approximately $10,200,000 at September 30, 2004 based on the borrowing base of our collateral. We were in compliance with all financial covenants of the Banknorth Credit Facility at September 30, 2004.

PREFERRED STOCK

In connection with our 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock"), we paid $70,000 of cash dividends per quarter. We also recorded non-cash accretion of approximately $20,000 per quarter related to preferred stock warrants and issuance costs. The preferred stock was convertible at any time by the holders at a conversion price of $6.00 per common share. In April 2004, all holders of our Series B Preferred Stock converted all their preferred shares into common stock. Under the conversion, a total 666,665 new shares of common stock were issued. As a result, we paid approximately $17,000 of cash dividends in the second quarter of 2004. No future dividend payments are required beyond the second quarter of 2004. The conversion will result in a cash savings of approximately $280,000 annually, as we will no longer pay dividends previously required under the terms of the preferred stock.

SHAREHOLDERS' EQUITY

Shareholders' equity increased by $11,126,000 to $21,473,000 at September 30, 2004 from $10,347,000 at December 31, 2003. The increase was primarily due to the following for the nine months ended September 30, 2004: (1) the conversion by our preferred shareholders of all shares of their preferred stock into common stock , net of costs of conversion ($3,902,000), (2) net income of $4,432,000, less cash dividends on our preferred stock of $86,000, (3) proceeds of approximately $1,085,000 from the issuance of approximately 227,000 shares of common stock from stock option and warrant exercises, (4) an increase in additional paid in capital of approximately $1,635,000 resulting from the tax benefits resulting form the sale of employee stock from stock option exercises, and (5) compensation expense related to restricted stock grants of $224,000.

CONTRACTUAL OBLIGATIONS

We have experienced no material changes in our contractual obligations outside the ordinary course of business during the three or nine months ended September 30, 2004.

RESOURCE SUFFICIENCY

We believe that our cash on hand and cash flows generated from operations and borrowings available under the Banknorth Credit Facility will provide sufficient resources to meet our working capital needs, including costs associated with the Consolidation, to finance our capital expenditures and meet our liquidity requirements through at least December 31, 2005.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were adequate and designed to ensure that information required to be disclosed by the Company in this report is recorded, processed, summarized and reported in a timely manner, including that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no significant changes in internal controls or in other factors that could be reasonably likely to materially affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses in internal controls, during the period covered by this report.

ITEM 5. SUBSEQUENT EVENTS

On November 12, 2004, we amended our $12.5 million Banknorth Credit Facility. Under the terms of the agreement, we renewed our $1.0 million equipment loan, which had expired on July 31, 2004. The amendment also revised certain other terms of the revolving credit facility.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

a. Exhibits filed herein

Exhibit 10.29	First Amendment to Revolving Credit, Equipment Loan and Security Agreement dated as of November 12, 2004 between TransAct Technologies Incorporated and Banknorth N.A.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-OxleyAct of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

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 15, 2004

/s/ Steven A. DeMartino

Steven A. DeMartino
Executive Vice President, Secretary,
Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit	
10.29	First Amendment to Revolving Credit, Equipment Loan and Security Agreement dated as of November 12, 2004 between TransAct Technologies Incorporated and Banknorth N.A.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

FIRST AMENDMENT TO REVOLVING CREDIT, EQUIPMENT LOAN AND SECURITY AGREEMENT

THIS First Amendment to Revolving Credit, Equipment Loan and Security Agreement (the "Amendment") amends that certain Revolving Credit, Equipment Loan and Security Agreement dated as of August 6, 2003 (the "Agreement") between TRANSACT TECHNOLOGIES INCORPORATED (the "Borrower"), and Banknorth N.A., a national banking association (the "Bank") (collectively, the Agreement, the Amendment and any further or other amendment shall be referred to as the "Credit Agreement") is made and entered into this 12th day of November 2004 by and between the Borrower and the Bank. Capitalized terms used herein but not defined shall have the meanings assigned to them in the Credit Agreement.

In consideration of mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Bank do hereby amend the Credit Agreement as follows:

1. Section 2.4 (c) of the Credit Agreement is amended in its entirety to read as follows:

> (c) For the purpose of calculating interest due under this Agreement, payment items shall be deemed applied by Lender on account of the Loan one Business Day after receipt in the lockbox, subject to chargebacks for uncollected payment items. No payment item received by Lender shall constitute payment to Lender until such item is actually collected by Lender and credited to the Collections Account; provided, however, Lender shall have the right to charge back to the Collections Account, the Demand Deposit Account (or any other account of Borrower maintained at Lender) any item which is returned for inability to collect, plus accrued interest during the period of Lender's provisional credit for such item prior to receiving notice of dishonor.

2. Section 2.6 of the Credit Agreement is amended by changing the reference in the first and second paragraph from July 31, 2004 to July 31, 2005 and the second paragraph of Section 2.6 is amended in its entirety to read as follows:

> As of November 12, 2004 there are no Equipment Loans outstanding and the Borrower may request Equipment Loans up to $1,000,000.00. All Equipment Loans shall be payable interest only as a Prime Rate Borrowing or a LIBOR Borrowing until the earlier of the date upon which the Equipment Loans are advanced up to the Equipment Loan Amount or July 31, 2005. Thereafter the then outstanding balance of the Equipment Loans advanced after the date hereof shall amortize based on 60 equal monthly principal payments with interest. Upon the date amortization commences the Borrower must choose whether such Equipment Loan will be a Fixed Rate Borrowing for the balance of the terms of the Equipment Loan or either a LIBOR Borrowing or the Prime Rate Borrowing for the balance of the terms of the Equipment Loan. Notwithstanding anything hereinabove to the contrary, the entire unpaid principal balance of Equipment

Loans and any accrued and unpaid interest thereon, shall be immediately due and payable upon the earlier to occur of (i) the acceleration of the Indebtedness as provided in Section 8 hereof or (ii) July 31, 2010.

3. Section 5.5 of the Credit Agreement is amended and restated in its entirety to read as follows:

Inspections. Shall permit inspections of the Collateral and the records of such Person pertaining thereto and verification of the Accounts, at such times and in such manner as may be reasonably required by Lender; provided that prior to an Event of Default such examinations shall take place during normal business hours of the Borrower and upon twenty-fours (24) hours prior notice. Borrower shall further permit such inspections, reviews and field examinations of its other records and its properties (with such reasonable frequency and at such reasonable times as Lender may desire) by Lender as Lender may deem necessary or desirable from time to time; provided, that prior to an Event of Default, the Lender shall conduct such examinations no more than once a year. The cost of such field examinations, reviews, verifications and inspections shall be borne by Borrower and, prior to an Event of Default, shall not exceed $750.00 per day plus out of pocket expenses and not more than $11,000 per calendar year; provided such fees shall be subject to periodic review by Lender.

4. Section 5.6 (a) of the Credit Agreement is amended and restated in its entirety as follows:

(a) Periodic Borrowing Base Information.

Within twenty (20) days of the end of each fiscal month (or more frequently if required by Lender), Borrower shall deliver to Lender a Borrowing Base Certificate for the previous month in form appended hereto as Exhibit 6 (each a "Borrowing Base Certificate") and Borrower shall attach the following to the Borrowing Base Certificate, which shall be certified by the chief financial officer or chief executive officer of Borrower to be accurate and complete and in compliance with the terms of the Loan Documents: (i) a report listing all Accounts and all Eligible Accounts of Borrower as of the last Business Day of such fiscal month (an "Accounts Receivable Report") which shall include the amount and age of each Account, the name and mailing address of each Account Debtor, a detailing of all credits due such Account Debtor by Borrower stated in the number of days which have elapsed since the date each such credit was issued by Borrower, and such other information as Lender may require in order to verify the Eligible Accounts, all in reasonable detail and in form acceptable to Lender, (ii) a report listing all Inventory and all Eligible Inventory of Borrower as of the last Business Day of such fiscal month, the cost thereof, specifying Raw Material Eligible Inventory and Finished Goods Eligible Inventory as well as work in process and all Inventory which has not been timely sold by Borrower in the ordinary course of business, and such other information as Lender may require relating thereto, all in form acceptable to Lender (an "Inventory Report"), and (iii) a report reconciling (x) the Accounts and Inventory of Borrower as set forth on the Accounts Receivable Report and the Inventory Report attached to the Borrowing Base Certificate to (y) the aggregate Accounts and Inventory set forth in the financial statements delivered to Lender pursuant to Section 5.6(c) (which shall be based upon Borrower's general ledger).

5. Section 10.4 is amended to change the notification party for the Borrower as follows:

Borrower: TransAct Technologies Incorporated
7 Laser Lane
Wallingford, Connecticut 06492
Attn: Steven A. DeMartino, Executive Vice President and Chief Financial Officer

6. Exhibit 1 is amended by restating the following definitions in their entirety:

"Borrowing Base" means at any time the sum of (i) 85% of the total amount of Eligible Accounts, plus (ii) the lesser of (a) $5,500,000.00 and (b) 45% of the total amount of Raw Material Eligible Inventory plus 50% of Finished Goods Eligible Inventory, less (iii) the pending credit reserve of $40,000, less (iv) the outstanding amount of all Letters of Credit.

Paragraph (p) of the definition of Eligible Accounts is amended in its entirety to read as follows:

(p) Accounts due from any Account Debtor which comprise more than 20% of total Accounts outstanding of the Borrower or 40% as to Accounts due from GTECH or Harrah's Entertainment Inc.

7. The Bank recognizes that Richard L. Cote is no longer active with the Borrower and consents to his replacement by Steven A. DeMartino as a Permitted Replacement Officer.

Conditions to Closing. This Amendment shall become effective upon the completion of each of the following:

a. Execution of this Amendment by the Borrower and the Bank and delivery of executed originals to the Bank.

b. Perfection Certificate amended to show changes since Perfection Certificate delivered with the original Credit Agreement.

c. Certificate of Secretary of the Borrower as to resolutions adopted by the

Board of Directors of the Borrower appointing Steven A. DeMartino as Executive Vice President and Chief Financial Officer of TransAct Technologies Incorporated and Secretary and Treasurer of TransAct.Com, Inc. and the incumbency of the officer executing this Amendment.

d. Such additional documents, certificates and other assurances that Bank or its counsel may require.

No Default; Representations and Warranties, etc. The Borrower hereby confirms that: (a) the representations and warranties of the Borrower contained in the Credit Agreement as modified hereby are true on and as of the date hereof as if made on such date (except to the extent that such representations and warranties expressly relate to an earlier date), as modified by any amendment of Schedules presented herewith; (b) the Borrower is in compliance in all material respects with all of the terms and provisions set forth in the Credit Agreement on their part to be observed or performed; and (c) after giving effect to this Amendment, no Event of Default, nor any event which with the giving of notice or expiration of any applicable grace period or both would constitute such an Event of Default, shall have occurred and be continuing.

Miscellaneous.

a . Except to the extent specifically amended hereby, the Credit Agreement, the Loan Documents and all related documents shall remain in full force and effect. Whenever the terms or sections amended hereby shall be referred to in the Credit Agreement, Loan Documents or such other documents (whether directly or by incorporation into other defined terms), such defined terms shall be deemed to refer to those terms or sections as amended by this Amendment.

b . This Amendment may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but all counterparts shall together constitute one instrument.

c . This Amendment shall be governed by the laws of the State of Connecticut and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURES ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment which is a sealed instrument as of the date first above written.

BANKNORTH, N.A.

By: /s/ James Hickson
James Hickson
It's Vice President

TRANSACT TECHNOLOGIES INCORPORATED.

By: /s/ Steven A. DeMartino
Name: Steven A. DeMartino
Title: Executive Vice President and
Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Bart C. Shuldman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransAct Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2004

/s/ Bart C. Shuldman
- --------------------
Bart C. Shuldman
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Steven A. DeMartino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransAct Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2004

/s/ Steven A. DeMartino
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Steven A. DeMartino
Executive Vice President, Secretary,
Treasurer and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TransAct Technologies Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bart C. Shuldman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 15, 2004

/s/ Bart C. Shuldman
- --------------------
Bart C. Shuldman
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TransAct Technologies Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven A. DeMartino, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(3) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 15, 2004

/s/ Steven A. DeMartino
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Steven A. DeMartino
Chief Financial Officer