

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 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 (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

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

YES NO

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

CLASS OUTSTANDING APRIL 30, 2004

COMMON STOCK,
\$.01 PAR VALUE 9,818,782

TRANSACT TECHNOLOGIES INCORPORATED

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ITEM 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)	MARCH 31, 2004	December 31, 2003
-----	----	----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,925	\$ 498
Receivables, net	7,788	9,074
Inventories	8,597	8,061
Deferred tax assets	2,340	2,340
Other current assets	309	509
	-----	-----
Total current assets	21,959	20,482
	-----	-----
Fixed assets, net	3,380	3,607
Goodwill	1,469	1,469
Deferred tax assets	684	684
Other assets	113	119
	-----	-----
	5,646	5,879
	-----	-----
Total assets	\$ 27,605	\$ 26,361
	=====	=====
LIABILITIES, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Current portion of term loan	\$ --	\$ 90
Accounts payable	2,570	3,288
Accrued liabilities	3,206	2,892
Accrued restructuring expenses	480	480
Accrued patent license fees	478	408
Deferred revenue	1,489	1,537
	-----	-----
Total current liabilities	8,223	8,695
	-----	-----
Long-term portion of term loan	--	330
Long-term portion of accrued restructuring	1,514	1,645
Long-term portion of accrued patent license fees	750	750
Other long-term liabilities	588	692
	-----	-----
	2,852	3,417
	-----	-----
Total liabilities	11,075	12,112
	-----	-----
Mandatorily redeemable convertible preferred stock	3,922	3,902
	-----	-----
Shareholders' equity:		
Common stock	61	60
Additional paid-in capital	10,619	8,441
Retained earnings	3,017	1,769
Unamortized restricted stock compensation	(1,202)	(30)
Accumulated other comprehensive income	113	107
	-----	-----
Total shareholders' equity	12,608	10,347
	-----	-----
Total liabilities and shareholders' equity	\$ 27,605	\$ 26,361
	=====	=====

See notes to condensed consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED	
	MARCH 31,	
-----	2004	2003
Net sales	\$ 15,075	\$ 9,012
Cost of sales	9,657	6,571
Gross profit	5,418	2,441
Operating expenses:		
Engineering, design and product development	614	562
Selling and marketing	1,362	1,044
General and administrative	1,332	1,099
	3,308	2,705
Operating income (loss)	2,110	(264)
Interest and other income (expense):		
Interest, net	(10)	(46)
Other, net	(3)	--
	(13)	(46)
Income (loss) before income taxes	2,097	(310)
Income tax provision (benefit)	755	(112)
Net income (loss)	1,342	(198)
Dividends and accretion charges on preferred stock	(90)	(90)
Net income (loss) available to common shareholders	\$ 1,252	\$ (288)
Net income (loss) per common share:		
Basic	\$ 0.14	\$ (0.03)
Diluted	0.13	(0.03)
Shares used in per share calculation:		
Basic	8,966	8,510
Diluted	9,800	8,510

See notes to condensed consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31,	
(In thousands)	2004	2003
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 1,342	\$ (198)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Non-cash compensation expense	69	25
Depreciation and amortization	427	448
Deferred income taxes	--	(120)
Gain on sale of equipment	--	(1)
Changes in operating assets and liabilities:		
Receivables	1,286	(634)
Inventories	(536)	(1,703)
Other current assets	200	12
Other assets	--	(39)
Accounts payable	(718)	354
Accrued liabilities and other liabilities	665	200
Accrued patent license fees	70	53
Accrued restructuring expenses	(131)	(353)
	-----	-----
Net cash provided by (used in) operating activities	2,674	(1,956)
	-----	-----
Cash flows from investing activities:		
Purchases of fixed assets	(194)	(532)
Proceeds from sale of fixed assets	--	1
	-----	-----
Net cash used in investing activities	(194)	(531)
	-----	-----
Cash flows from financing activities:		
Revolving bank loan borrowings, net	--	1,994
Term loan repayments	(420)	(25)
Proceeds from option and warrant exercises	435	5
Payment of cash dividends	(74)	(70)
	-----	-----
Net cash (used in) provided by financing activities	(59)	1,904
	-----	-----
Effect of exchange rate changes	6	(13)
	-----	-----
Increase (decrease) in cash and cash equivalents	2,427	(596)
Cash and cash equivalents at beginning of period	498	902
	-----	-----
Cash and cash equivalents at end of period	\$ 2,925	\$ 306
	=====	=====

See notes to condensed consolidated financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

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.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly TransAct's financial position as of March 31, 2004, the results of our operations for the three months ended March 31, 2004 and 2003, and our cash flows for the three months ended March 31, 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. Transaction gains and losses are included in other income.

The results of operations for the three months ended March 31, 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, 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 amounts within the accompanying condensed consolidated financial statements and footnotes reflect the stock split on a retroactive basis.

TRANSACTION TECHNOLOGIES INCORPORATED

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 months ending March 31, 2004, we granted 50,000 shares of restricted stock to key employees under the 1996 Stock Plan. Deferred compensation of \$1,241,000 was recorded with respect to these grants and will be recognized into expense over the 5 year vesting period.

The following table illustrates the effect on net income (loss), compensation expense and net income (loss) 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 March 31,	
	2004	2003
	----	----
(In thousands, except per share data)		
Net income (loss) available to common shareholders:		
Net income (loss) available to common shareholders, as reported	\$ 1,252	\$ (288)
Add: Stock-based compensation expense included in reported net income, net of tax	44	16
Deduct: Stock-based compensation expense determined under fair value based method for all awards, net of tax	(70)	(205)
	-----	-----
Pro forma net income (loss)	1,226	(477)
	=====	=====
Net income (loss) per share:		
Basic:		
As reported	\$ 0.14	\$ (0.03)
Pro forma	0.14	(0.06)
Diluted:		
As reported	\$ 0.13	\$ (0.03)
Pro forma	0.13	(0.06)

During the three months ended March 31, 2004, we received cash proceeds of approximately \$435,000 from the issuance of approximately 73,000 shares of common stock resulting from stock option and warrant exercises. We also recorded a related tax benefit which was credited to Additional Paid-In Capital of approximately \$503,000 in the three months ended March 31, 2004, resulting from subsequent employee stock sales.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. INVENTORIES

The components of inventories are:

(In thousands)	March 31, 2004	December 31, 2003
- - - - -	- - - - -	- - - - -
Raw materials and component parts	\$8,177	\$7,947
Work-in-process	--	--
Finished goods	420	114
	-----	-----
	\$8,597	\$8,061
	=====	=====

4. ACCRUED PRODUCT WARRANTY LIABILITY

The following table summarizes the activity recorded in the accrued product warranty liability during the three months ended March 31, 2004 and 2003.

(In thousands)	Three months ended March 31,	
- - - - -	2004	2003
- - - - -	- - - - -	- - - - -
Balance, beginning of period	\$ 495	\$ 644
Additions related to warranties issued	175	115
Warranty costs incurred	(143)	(134)
	-----	-----
Balance, end of period	\$ 527	\$ 625
	=====	=====

Approximately \$147,000 and \$169,000 of the accrued product warranty liability is classified as other long-term liabilities at March 31, 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.

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.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. ACCRUED BUSINESS CONSOLIDATION AND RESTRUCTURING (CONTINUED)

The following table summarizes the activity recorded in accrued restructuring expenses during the three months ended March 31, 2004 and 2003.

(In thousands)	Three Months Ended	
	2004	2003
-----	----	----
Accrual balance, beginning of period	\$ 2,125	\$ 1,718
Business consolidation and restructuring expenses	--	--
Cash payments	(131)	(353)
-----	-----	-----
Accrual balance, end of period	\$ 1,994	\$ 1,365
	=====	=====

At March 31, 2004 and December 31, 2003, approximately \$1,514,000 and \$1,645,000, respectively, of the restructuring accrual was classified within long-term liabilities. This represents the portion of non-cancelable lease termination costs and other costs expected to be paid beyond one year.

6. PATENT LICENSE FEES

In November 2002, we were advised that certain POS printers sold by us since late 1999 may use technology covered by recently issued patents of a third party competitor. In an effort to resolve this matter, we originally offered to pay approximately \$160,000, while the other party sought payment of up to \$950,000. We recorded a charge of \$160,000 in cost of sales in the fourth quarter of 2002 related to this matter. Based on the likely outcome of current negotiations, we recorded an additional charge of \$740,000 in the fourth quarter of 2003 related to usage prior to January 1, 2003. Although the settlement negotiations have not been finalized, we believe that the total accrual of \$900,000 reflects the best estimate of the expense related to the pre-2003 usage of this third party patented technology. We also accrued estimated royalty payments for usage of this technology after January 1, 2003. We have classified approximately \$750,000 of our total accrual at March 31, 2004 and December 31, 2003 related to this matter as a long-term liability based on the likely payment schedule resulting from our current negotiations.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

7. EARNINGS PER SHARE

For the three months ended March 31, 2004 and 2003, earnings per share, which reflects the impact of the 3 for 2 stock split discussed in Note 1, was computed as follows (in thousands, except per share amounts):

(In thousands, except per share amounts))	Three Months Ended	
	March 31,	
	2004	2003
	----	----
Net income (loss)	\$ 1,342	\$ (198)
Dividends and accretion on preferred stock	(90)	(90)
	-----	-----
Net income (loss) available to common shareholders	\$ 1,252	\$ (288)
	=====	=====
Shares:		
Basic: Weighted average common shares		
outstanding	8,966	8,510
Add: Dilutive effect of outstanding options	834	--
as determined by the treasury stock method	-----	-----
Diluted: Weighted average common and common equivalent shares outstanding	9,800	8,510
	=====	=====
Net income (loss) per common share:		
Basic	0.14	(0.03)
Diluted	0.13	(0.03)

Due to our reported net loss in the three months ended March 31, 2003, all potentially dilutive securities, including both in-the-money and out-of-the-money stock options and warrants that amounted to 782,000 shares excluded from the earnings per share calculation, as the effect would have been antidilutive. In addition, for all periods presented, earnings per share calculations assumed no conversion of the convertible mandatorily redeemable preferred stock (which is convertible into 666,665 shares of common stock), as the effect would have been anti-dilutive. Also excluded from the diluted earnings per share calculation in the three months ended March 31, 2004 are 56,333 shares of unvested restricted stock, as the effect would have been anti-dilutive.

8. LONG-TERM DEBT

During the first quarter of 2004, we repaid the remaining \$420,000 balance outstanding on our term loan. Accordingly, we currently have no outstanding debt obligations.

9. SUBSEQUENT EVENT

In April 2004, all shareholders of our Series B Preferred Stock converted all their preferred shares into common stock. Under the conversion, a total of 666,665 new shares of common stock were issued. As a result, dividends in the amount of approximately \$16,000 were paid to the preferred shareholders through the date of the conversion, and no future dividend payments are required.

TRANSACTION TECHNOLOGIES INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

10. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

CONSOLIDATION OF VARIABLE INTEREST ENTITIES: In December 2003, the FASB issued FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("FIN 46R"). FIN 46R requires a company to consolidate a variable interest entity ("VIE") if it has a majority of the risks, rewards or both of that entity. FIN 46R became effective for most VIEs beginning in the fourth quarter of 2003. TransAct has no investments in VIEs; therefore, FIN 46 had no effect on our financial statements.

PARTICIPATING SECURITIES AND THE TWO CLASS METHOD UNDER FASB STATEMENT NO. 128: In April 2004, the Emerging Issues Task Force reached consensus on EITF Issue No. 03-6, "Participating Securities and the Two Class Method under FASB Statement No. 128" (EITF 03-6). EITF 03-6 addresses a number of questions regarding the computation of earnings per share by companies that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the company when, and if, it declares dividends on its common stock. EITF 03-6 also provides further guidance in applying the two-class method of calculating earnings per share, clarifying what constitutes a participating security and how to apply the two-class method of computing earnings per share once it is determined that a security is participating, including how to allocate undistributed earnings to such a security. EITF 03-6 is effective for fiscal periods beginning after March 31, 2004 and requires retroactive restatement of prior earnings per share amounts. The Company is currently evaluating the effect of adopting EITF 03-6.

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. 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 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; risks associated with the Patent Resolution Payment; 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 MARCH 31, 2004 COMPARED TO THREE MONTHS ENDED MARCH 31, 2003

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

(In thousands)	Three months ended		Three months ended		Change	
	March 31, 2004		March 31, 2003		\$	%
Point of sale and banking	\$ 6,885	45.7%	\$ 4,331	48.1%	\$ 2,554	59.0%
Gaming and lottery	8,190	54.3%	4,681	51.9%	3,509	75.0%
	<u>\$15,075</u>	<u>100.0%</u>	<u>\$ 9,012</u>	<u>100.0%</u>	<u>\$ 6,063</u>	<u>67.3%</u>
International*	\$ 1,216	8.1%	\$ 1,066	11.8%	\$ 150	14.1%

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

(In thousands)	Three months ended		Three months ended		Change	
	March 31, 2004		March 31, 2003		\$	%
Printers - POS and banking	\$ 5,006	33.2%	\$ 2,779	30.8%	\$ 2,227	80.1%
Printers - Gaming and lottery	7,618	50.5%	4,271	47.4%	3,347	78.4%
Subtotal - printers	<u>12,624</u>	<u>83.7%</u>	<u>7,050</u>	<u>78.2%</u>	<u>5,574</u>	<u>79.1%</u>

Services and consumables	2,451	16.3%	1,962	21.8%	489	24.9%
	=====		=====		=====	
Total net sales	\$15,075	100.0%	\$ 9,012	100.0%	\$ 6,063	67.3%
	=====		=====		=====	

Net sales for the first quarter of 2004 increased \$6,063,000, or 67%, from the same period last year due to significantly higher printer shipments (approximately \$5,574,000, or 79%) into both our gaming and lottery market and point of sale and banking ("POS") 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 \$489,000, or 25%, as our installed base of printers grows and we continue to aggressively pursue these sales. Overall, international sales increased by \$150,000, or 14%.

POINT OF SALE AND BANKING: Sales of our POS products worldwide increased approximately \$2,554,000, or 59%.

(In thousands)	Three months ended		Three months ended		Change	
	March 31, 2004		March 31, 2003		\$	%
	-----		-----		---	---
Domestic	\$ 5,965	86.6%	\$ 3,269	75.5%	\$ 2,696	82.5%
International	920	13.4%	1,062	24.5%	(142)	(13.4%)
	-----		-----		-----	-----
	\$ 6,885	100.0%	\$ 4,331	100.0%	\$ 2,554	59.0%
	=====		=====		=====	=====

Domestic POS revenue increased to \$5,965,000, representing a \$2,696,000, or 82%, increase from the first quarter of 2003, due largely to significantly higher sales of our POSjet(R) and Bankjet(R) lines of inkjet printers. Sales of our POSjet(R) line of inkjet printers increased by approximately 534% in the first quarter of 2004 compared to the first quarter 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. In addition, we reported higher service, spare parts and consumables revenue in the first quarter of 2004 compared to the first quarter of 2003.

International POS printer shipments decreased by approximately \$142,000, or 13%, to \$920,000, due primarily to lower sales of our printers through our network of international distributors, somewhat offset by higher service, spare parts and consumables revenue.

We expect sales into the POS market for the second quarter of 2004 to be consistent with those reported for the first quarter of 2004 and higher than those reported in the second quarter of 2003, due to continued growth in sales of our POSjet(R) and Bankjet(R) lines of inkjet printers and expected sales of our newly-introduced iTherm(TM) 280 high-speed, two-color thermal printer. We remain cautiously optimistic that economic conditions will continue to improve and sales of our POS products will increase in the second half of 2004.

GAMING AND LOTTERY:

Sales of our gaming and lottery products increased by \$3,509,000, or 75%, from the first quarter a year ago, primarily due to significantly higher shipments of our slot machine printers, and to a lesser extent, higher shipments of on-line lottery printers to GTECH.

(In thousands)	Three months ended		Three months ended		Change	
	March 31, 2004		March 31, 2003		\$	%
	-----		-----		---	---
Domestic	\$7,894	96.4%	\$4,677	99.9%	\$3,217	68.8%
International	296	3.6%	4	0.1%	292	NM
	-----		-----		-----	-----
	\$8,190	100.0%	\$4,681	100.0%	\$3,509	75.0%
	=====		=====		=====	=====

(In thousands)	Three months ended		Three months ended		Change	
	March 31, 2004		March 31, 2003		\$	%
	-----		-----		---	---
Gaming	\$6,650	81.2%	\$3,929	83.9%	\$2,721	69.3%
Lottery	1,540	18.8%	752	16.1%	788	104.8%
	-----		-----		-----	-----
	\$8,190	100.0%	\$4,681	100.0%	\$3,509	75.0%
	=====		=====		=====	=====

NM - Not meaningful

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 \$2,721,000 to \$6,650,000. 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"). Based on existing orders and sales opportunities for TITO printers, we expect

sales of our casino printers to continue to increase during the remainder of 2004 compared to 2003, as more casinos are expected 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 remainder of 2004 compared to 2003.

Total sales to GTECH Corporation ("GTECH") (a worldwide lottery terminal provider and major customer), which included impact and thermal on-line lottery printers, impact in-lane lottery printers, and spare parts revenue, increased by \$788,000 to approximately \$1,540,000, or 10% of net sales, in the first quarter of 2004, compared to \$752,000, or 8% of net sales, in the first quarter of 2003.

In July 2002, we entered into a 5-year agreement with GTECH to provide a newly designed thermal on-line lottery printer. We have received orders from GTECH for approximately \$3.1 million of these thermal printers, which we expect to ship over the remaining nine months of 2004, although in higher volumes during the third and fourth quarters. We anticipate receiving orders from GTECH for additional 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. We made no in-lane lottery printer shipments in the first quarter of 2004 or 2003. Due to the project-by-project nature of sales of impact on-line lottery printers and in-lane lottery printers, we cannot predict if and when any future orders for these printers may occur.

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

(In thousands, except %)	Three months ended	
	March 31,	
	2004	2003
	----	----
Impact on-line lottery printers and spare parts	\$ 326	\$ 747
Thermal on-line lottery printers	1,214	5
	-----	-----
	\$1,540	\$ 752
	=====	=====
% of consolidated net sales	10%	8%

International sales into the gaming and lottery market increased \$292,000, to \$296,000 in the first quarter of 2004. Although we expect international sales into the gaming and lottery market to remain relatively flat in the second quarter of 2004 compared to the first quarter of 2004, we expect moderate growth in these sales during the second half of 2004 as the result of our decision to expand the distribution and sales of our gaming printers outside of the United States (primarily in Europe and Australia).

GROSS PROFIT. Gross profit increased \$2,977,000, or 122%, and gross margin increased to 35.9% from 27.1%, due primarily to higher volume of sales and a more favorable sales mix, including increased sales of higher margin gaming and lottery printers, in the first quarter of 2004 compared to the first quarter of 2003. We expect gross margin for the second quarter of 2004 to be somewhat lower than that reported for the first quarter of 2004, as we expect to ship a legacy printer to a significant customer at lower gross margin than on our typical printers. We accepted the order for such printers to strategically build a stronger relationship with that customer.

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 \$52,000, or 9%, due primarily to higher compensation related expenses. Such expenses decreased as a percentage of net sales to 4.1% from 6.2%, due primarily to a higher volume of sales in the first quarter of 2004 compared to the first quarter of 2003. We expect engineering and product design development expenses to increase in the second quarter of 2004 compared to the first quarter of 2004, as we plan to expand our families of inkjet printers for the POS market and TITO printers for the casino market.

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 \$318,000, or 30%, due primarily to higher (1) sales commissions resulting from higher sales in the first quarter of 2004 compared to the first quarter of 2003 (approximately \$50,000), (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 \$110,000) and (3) recruitment expenses related to adding sales staff (approximately \$125,000).

Selling and marketing expenses decreased as a percentage of net sales to 9.0% from 11.6%, due primarily to higher volume of sales in the first quarter of 2004 compared to the first quarter of

2003. We expect selling and marketing expenses to be slightly higher in the second quarter of 2004 compared to the first quarter of 2004, as we plan to add sales staff to help grow our sales and increase our breadth of coverage in 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 \$233,000, or 21%, 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 our CFO transition plan. General and administrative expenses decreased as a percentage of net sales to 8.8% from 12.2% due primarily to a higher volume of sales in the first quarter of 2004 compared to the first quarter of 2003. We expect general and administrative expenses to continue to increase in the second quarter of 2004, largely due to professional fees related to compliance with Sarbanes-Oxley.

OPERATING INCOME (LOSS). During the first quarter of 2004 we reported operating income of \$2,110,000, or 14.0% of net sales, compared to an operating loss of (\$264,000), or (2.9%) of net sales in the first quarter of 2003. The significant increase in our operating income was due largely to higher gross profit on higher sales, partially offset by higher operating expenses in the first quarter of 2004 compared to that of 2003. Although sales increased by 67% in the first quarter of 2004 compared to the first quarter of 2003, operating expenses only increased by 22%, which provided substantial operating leverage in first quarter of 2004 that we expect to continue for the remainder of 2004.

INTEREST. Net interest expense decreased significantly to \$13,000 from \$52,000 in the first 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 expect revolving borrowings to remain at zero as we continue to generate cash from operations through the remainder of 2004. During the remainder of 2004, we expect to incur interest expense of approximately \$10,000 per quarter related to interest on unused borrowings under our revolving credit line, partially offset by interest income earned on our available cash balance. See "Liquidity and Capital Resources" below for more information.

INCOME TAXES. We recorded an income tax provision of \$755,000 in the first quarter of 2004 and an income tax benefit of \$112,000 in the first quarter of 2003, both at an effective rate of 36%.

NET INCOME (LOSS). We reported net income during the first quarter of 2004 of \$1,342,000, or \$0.13 per share (diluted) after giving effect to \$90,000 of dividends and accretion charges on preferred stock. This compares to a net loss of (\$198,000), or (\$0.03) per share (diluted) for the first quarter of 2003, after giving effect to \$90,000 of dividends and accretion charges on preferred stock. Dividends in the second quarter of 2004 will be approximately \$16,000 and there will be no dividends beyond the second quarter of 2004, as the preferred stock was converted to common stock in April 2004. See "Subsequent Event" under "Notes to Condensed Consolidated Financial Statements."

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Overview: In the first quarter of 2004, we significantly improved our operating results. We repaid our remaining outstanding debt in January 2004 and ended the quarter with approximately \$2.9 million in cash. Looking forward, we expect to generate approximately \$5 to \$6 million in cash from operations during 2004 and have between \$4 and \$5 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 \$2,674,000 in the first quarter of 2004:

- We reported net income of \$1,342,000
- We recorded depreciation, amortization and non-cash compensation expense of \$496,000
- Accounts receivable decreased by \$1,286,000 due to higher turnover of receivables resulting from an improved collection effort and timing of sales during the quarter
- Inventories increased by \$536,000, as we prepared for our expected higher sales volume in 2004
- Other current assets decreased by \$200,000 due primarily to receipts of federal and state tax refunds in the first quarter of 2004

- Accounts payable decreased by \$718,000 due to the timing of payments and increased inventory purchases in December in anticipation of higher 2004 orders
- Accrued liabilities and other liabilities increased by \$665,000, primarily due to an increase in income taxes payable resulting from the tax provision recorded in the first quarter of 2003
- Accrued restructuring expenses decreased by \$131,000 due to payments made for lease obligation costs (See "Consolidation Expenses" below)

Investing activities: Our capital expenditures were approximately \$194,000 and \$532,000 in the first quarter of 2004 and 2003, respectively. Expenditures in 2004 primarily included new product tooling and computer hardware and software. We expect capital expenditures for 2004 to be approximately \$1,600,000, primarily for tooling for new products and enhanced versions of our existing products.

Financing activities: We used approximately \$59,000 in financing activities during the first quarter of 2004, largely due to the repayment of our term loan (approximately \$420,000) and payments of cash dividends on our preferred stock (approximately \$70,000), largely offset by proceeds from stock option exercises (approximately \$435,000).

WORKING CAPITAL

Our working capital increased to \$13,736,000 at March 31, 2004 from \$11,787,000 at December 31, 2003. The current ratio also increased to 2.67 to 1 at March 31, 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 (\$2,925,000) and higher inventories (\$8,597,000) somewhat offset by lower receivables (\$7,788,000) compared to December 31, 2003.

DEFERRED TAXES

As of March 31, 2004, we had a net deferred tax asset of approximately \$3,024,000. In order to utilize this deferred tax asset, we will need to generate approximately \$8.4 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.

CONTINGENT LIABILITIES

In November 2002, the Company was advised that certain POS printers sold by us since late 1999 may use technology covered by recently issued patents of a third party competitor. In an effort to resolve this matter, we originally offered to pay approximately \$160,000, while the other party sought payment of up to \$950,000. We recorded a charge of \$160,000 in cost of sales in the fourth quarter of 2002 related to this matter. Based on the likely outcome of current negotiations, we recorded an additional charge of \$740,000 in the fourth quarter of 2003 related to usage prior to January 1, 2003. Although settlement negotiations are continuing, we believe that the total accrual of \$900,000 (the "Patent Resolution Payment") reflects the best estimate of the expense related to the pre-2003 usage of this third party patented technology. We also accrue estimated royalty payments for usage of this technology after January 1, 2003.

CREDIT FACILITY AND BORROWINGS

On August 6, 2003, we entered into a new \$12.5 million credit facility (the "Banknorth Credit Facility") with Banknorth N.A. The Banknorth Credit Facility replaced our prior credit facility (the "LaSalle Credit Facility") with LaSalle Business Credit, Inc. ("LaSalle"). 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%. Under certain circumstances, we may select a fixed interest rate for a specified period of time of up to 180 days on borrowings based on the current LIBOR rate plus 2.75% and 3.0% under the revolving credit facility and the equipment loan facility, respectively. In addition, we may select a fixed interest rate based on the five-year Federal Home Loan Bank of Boston rate plus 3.0% for borrowings under the equipment loan facility. We also pay a fee of 0.25% on unused borrowings under the revolving credit line. Borrowings under the Banknorth Credit Facility are secured by a lien on all the assets of the Company. 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.

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 \$1,000,000 reserve pending the determination of the Patent Resolution Payment and less (iii) a \$40,000 credit reserve.

Concurrent with the signing of the Banknorth Credit Facility, we borrowed \$450,000 under the equipment loan facility. Principal payments for any borrowings under the equipment loan facility were due in equal installments plus accrued interest based on a sixty month amortization schedule on the first day of each month beginning September 1, 2003, with the unpaid principal balance due on the earlier of (1) July 31, 2008 or (2) acceleration of the indebtedness under the revolving credit line or the equipment line due to an event of default.

As of March 31, 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 March 31, 2004. However, our maximum additional available borrowings under the facility were limited to approximately \$8,100,000 at March 31, 2004 based on the borrowing base of our collateral. The term loan was paid in full in January 2004. We were in compliance with all financial covenants of the Banknorth Credit Facility at March 31, 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. The preferred stock was redeemable at the option of the holders on April 7, 2005 for an aggregate of \$4,000,000 plus any unpaid dividends. Upon a change of control, as defined, the holders had the right to redeem the Preferred Stock for an aggregate of \$8,000,000 plus any unpaid dividends.

In April 2004, all shareholders 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 expect to pay approximately \$16,000 of cash dividends in the second quarter of 2004, with no future dividend payments beyond the second quarter of 2004. The conversion will result in a cash savings of approximately \$280,000 annually, as TransAct will no longer pay dividends previously required under the terms of the preferred stock. See Note 10 to the Condensed Consolidated Financial Statements.

SHAREHOLDERS' EQUITY

Shareholders' equity increased by \$2,261,000 to \$12,608,000 at March 31, 2004 from \$10,347,000 at December 31, 2003. The increase was primarily due to the following for the three months ended March 31, 2004: (1) net income available to common shareholders of \$1,252,000, (2) proceeds of approximately \$435,000 from the issuance of approximately 73,000 shares of common stock from stock option and warrant exercises, (3) an increase in additional paid in capital of approximately \$503,000 resulting from the recording of a deferred tax asset from the sale of employee stock from stock option exercises, and (4) compensation expense related to restricted stock grants of \$69,000.

CONSOLIDATION EXPENSES

During 2001, we incurred approximately \$4,096,000 of business consolidation, restructuring and related charges as a result of the Consolidation. These expenses primarily included employee severance and termination related expenses, facility closure and consolidation expenses (including moving expenses, estimated non-cancelable lease payments and other costs) and accelerated depreciation and asset disposal losses on certain leasehold improvements and other fixed assets. Although the Consolidation was substantially completed in 2001, we incurred an additional \$958,000 expenses associated with the Consolidation during 2002. During 2002, we revised our original estimate for future sublease payments included in the restructuring accrual. Based on regional softness in demand in the commercial real estate market, we increased the restructuring accrual by \$900,000 to reflect the longer period of time then projected to sublease our Wallingford, CT facility. After expanded efforts in 2003, we determined that because of the continuing regional decline in the commercial real estate market during 2003, it was unlikely that we would be able to sublease our Wallingford, CT manufacturing facility, which has a lease term that expires in March 2008. As a result, during the fourth quarter of 2003, we increased our restructuring accrual by \$1,270,000 to provide for the remaining non-cancelable lease payments and related costs associated with the manufacturing facility. This increase represented the reversal of estimated sublease income for the remainder of the lease term. In addition, we determined that we will not terminate several employees originally included in the Consolidation. As a result, we reversed the remaining \$142,000 of accrued restructuring expenses in 2003 related to employee severance and termination expenses, as we completed all required payments for such expenses by December 31, 2003.

We do not expect to incur any additional restructuring expense related to the Consolidation.

As of March 31, 2004 and December 31, 2003, our restructuring accrual amounted to \$1,994,000 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 our Wallingford, CT facility.

CONTRACTUAL OBLIGATIONS

We have experienced no material changes in our contractual obligations outside the ordinary course of business during the three months ended March 31, 2004.

RESOURCE SUFFICIENCY

We believe that 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 and the Patent Resolution Payment, to finance our capital expenditures and meet our liquidity requirements through at least December 31, 2005.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Our exposure to market risk for changes in interest rates relates primarily to borrowings under our revolving 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. An effective increase or decrease of 10% in the current effective interest rates under our credit facility would not have a material effect on our results of operations or cash flow.

FOREIGN CURRENCY EXCHANGE RISK

A substantial portion of our sales are denominated in U.S. dollars and, as a result, we have relatively little exposure to foreign currency exchange risk with respect to sales made. This exposure may change over time as business practices evolve and could have a material adverse impact on our financial results in the future. We do 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 our future results of operations or cash flow.

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 significantly 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.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits filed herein

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act 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

b. Reports on Form 8-K

1. A report on Form 8-K was furnished on March 23, 2004 to report under Item 5 an event deemed of importance to security holders, the transfer of all outstanding shares of the Company's Series B Preferred Stock.
2. A report on Form 8-K was furnished on March 4, 2004 to report under Items 7 and 12 a press release announcing the Company's financial results for the year ended December 31, 2003.

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)

May 12, 2004

/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
Senior Vice President, Finance and Information
Technology
(Principal Accounting Officer)

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit

- 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

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 affect, 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: May 12, 2004

/s/ Bart C. Shuldman

 Bart C. Shuldman
 Chairman, President and Chief Executive Officer

CERTIFICATION

I, Richard L. Cote, 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 affect, 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: May 12, 2004

/s/ Richard L. Cote

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

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 March 31, 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: May 12, 2004

/s/ Bart C. Shuldman

Bart C. Shuldman
Chief Executive Officer

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 March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard L. Cote, 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: May 12, 2004

/s/ Richard L. Cote

Richard L. Cote
Chief Financial Officer