FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended: March 31, 2002

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 [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

CLASS	OUTSTANDING APRIL 26, 2002
COMMON STOCK, $.01 PAR VALUE	5,707,270

TRANSACT TECHNOLOGIES INCORPORATED

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ITEM 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	MARCH 31, 2002 (unaudited)	December 31, 2001
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 77	$ 417
Receivables, net	3,576	4,047
Inventories	10,284	10,633
Deferred tax assets	2,459	2,382
Other current assets	231	212
Total current assets	16,627	17,691
Fixed assets, net	4,867	5,190
Goodwill, net	1,469	1,469
Deferred tax assets	1,120	1,120
Other assets	311	321
	7,767	8,100
	$ 24,394	$ 25,791
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Current portion of term loan	$ 100	$ 100
Accounts payable	3,235	2,903
Accrued liabilities	3,260	3,320
Customer advance payment (Note 4)	4,062	--
Accrued restructuring expenses (Note 5)	2,358	3,002
Total current liabilities	13,015	9,325
Revolving bank loan payable	--	4,994
Long-term portion of term loan	325	350
Other liabilities	64	61
	389	5,405
Mandatorily redeemable preferred stock	3,766	3,746
Shareholders' equity:		
Common stock	57	57
Additional paid-in capital	6,377	6,303
Retained earnings	1,430	1,649
Unamortized restricted stock compensation	(209)	(286)
Loan receivable from officer	(330)	(330)
Accumulated other comprehensive loss	(101)	(78)
Total shareholders' equity	7,224	7,315
	$ 24,394	$ 25,791

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

(In thousands, except per share data)	THREE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED MARCH 31, 2001
Net sales	$ 10,525	$ 9,773
Cost of sales	7,899	7,970
Gross profit	2,626	1,803
Operating expenses:		
Engineering, design and product development expenses	546	818
Selling and marketing expenses	1,031	1,146
General and administrative expenses	1,176	1,507
Business consolidation and restructuring expenses (Note 5)	41	1,024
	2,794	4,495
Operating loss	(168)	(2,692)
Other income (expense):		
Interest, net	(55)	(94)
Other, net	21	41
	(34)	(53)
Loss before income taxes	(202)	(2,745)
Income tax benefit	(73)	(988)
Net loss	(129)	(1,757)
Dividends and accretion charges on preferred stock	(90)	(90)
Net loss available to common Shareholders	$ (219)	$ (1,847)
Net loss per share:		
Basic and diluted	$ (0.04)	$ (0.33)
Shares used in per share calculation:		
Basic and diluted	5,604	5,531

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(unaudited)

(In thousands)	THREE MONTHS ENDED MARCH 31, 2002	2001
Cash flows from operating activities:		
Net loss	$ (129)	$(1,757)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	608	790
Deferred income taxes	(77)	--
Loss on disposal of equipment	--	3
Changes in operating assets and liabilities:		
Receivables	471	870
Inventories	349	569
Other current assets	(19)	(988)
Other assets	(13)	(24)
Accounts payable	332	392
Accrued liabilities and other liabilities	(57)	368
Customer advance payment (Note 4)	4,062	--
Accrued restructuring expenses (Note 5)	(644)	934
Net cash provided by operating activities	4,883	1,157
Cash flows from investing activities:		
Purchases of fixed assets	(190)	(138)
Net cash used in investing activities	(190)	(138)
Cash flows from financing activities:		
Revolving bank loan repayments, net	(4,994)	(1,766)
Term loan repayments, net	(25)	--
Proceeds from option exercises	79	45
Payment of cash dividends on preferred stock	(70)	(70)
Net cash used in financing activities	(5,010)	(1,791)
Effect of exchange rate changes on cash	(23)	(51)
Decrease in cash and cash equivalents	(340)	(823)
Cash and cash equivalents at beginning of period	417	992
Cash and cash equivalents at end of period	$ 77	$ 169

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. In the opinion of TransAct Technologies Incorporated (the "Company"), the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly its financial position as of March 31, 2002, and the results of its operations and cash flows for the three months ended March 31, 2002 and 2001. The December 31, 2001 consolidated condensed balance sheet has been derived from the Company's audited financial statements at that date. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-K.

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

The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the full year.

The Company has adopted the provisions of Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets" ("FAS 142") on January 1, 2002. Under FAS 142, goodwill will no longer be amortized and will be tested for impairment at least annually at the reporting unit level.

Prior to the adoption of FAS 142 on January 1, 2002, the Company had been amortizing goodwill related to the acquisition of (1) Ithaca Peripherals, Inc. ("Ithaca") in 1991 and (2) the ribbon business formerly conducted by Tridex ("Tridex Ribbon Business"). The original amount applicable to the Ithaca acquisition totaled $3,536,000 and was being amortized on the straight-line method over 20 years. The original amount applicable to the Tridex Ribbon Business acquisition totaled $180,000 and was being amortized on the straight-line method over five years. The Company recorded amortization of goodwill of approximately $35,000, net of taxes, during the first quarter of 2001.

FAS 142 requires that goodwill be tested annually for impairment. The Company has performed an impairment test as of January 1, 2002 and determined that no transition adjustment related to impairment is necessary.

2. Earnings per share

Basic earnings per common share for the three months ended March 31, 2002 and 2001 were based on the weighted average number of shares outstanding during the period. Diluted earnings per share for the same periods were based on the weighted average number of shares after consideration of any dilutive effect of stock options and warrants. For the three months ended March 31, 2002 and 2001, the effects of potential dilutive securities have been excluded, as they would have been anti-dilutive.

3. Inventories:

The components of inventory are:

(In thousands)	March 31, 2002	December 31, 2001
Raw materials and component parts	$10,186	$10,299
Work-in-process	25	25
Finished goods	73	309
	$10,284	$10,633

4. Significant transaction

On February 22, 2002, at the request of a major customer, the Company received a cash payment of approximately $5,824,000 in advance of printer shipments to be made from March through August 2002. This amount has been classified as a current liability, and will be reduced by the sales value of shipments as they are made. As a result of this payment, the Company repaid all its outstanding revolving borrowings under the LaSalle Credit Facility in February 2002. As of March 31, 2002 approximately $4.1 million of the original $5.8 million advance remains outstanding.

5. Business consolidation and restructuring

In February 2001, the Company announced plans to establish a global engineering and manufacturing center at its Ithaca, NY facility. As part of this strategic decision, the Company undertook a plan to consolidate all manufacturing and engineering into its existing Ithaca, NY facility and close its Wallingford, CT facility (the "Consolidation"). As of December 31, 2001, substantially all Wallingford product lines were successfully transferred to Ithaca, NY. The Company currently maintains one small component production line in Wallingford. The closing of the Wallingford facility is expected to result in the termination of employment of approximately 70 production, administrative and management employees. The Company has applied 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. The Company estimates that the non-recurring costs associated with the Consolidation, including severance pay, stay bonuses, employee benefits, moving expenses, non-cancelable lease payments, accelerated depreciation and other costs, will be approximately $4.2 million, of which approximately $4.1 million was recognized during 2001.

The following table summarizes the activity recorded in the restructuring accrual during the first quarter of 2002 and 2001.

(In thousands)		Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Accrual balance, beginning of period		$ 3,002	$ 105
Business consolidation and restructuring expenses:			
Employee severance and termination expenses	(1)	40	195
Facility closure and consolidation expenses	(2)	1	829
		41	1,024
Cash payments		(685)	(90)
Accrual balance, end of period		$ 2,358	$ 1,039

(1) Employee severance and termination related expenses are the estimated termination salaries, benefits, outplacement, counseling services and other related costs expected to be paid to involuntarily terminated employees.

(2) Facility closure and consolidation expenses are the estimated costs to close the Wallingford, CT facility including lease termination costs and other related costs, in accordance with the restructuring plan. The Wallingford facility closure was substantially completed by December 31, 2001.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

The following table summarizes the components of all charges related to the Consolidation.

(In thousands)		Three months ended March 31, 2002	Three months ended March 31, 2001
Business consolidation and restructuring expenses		$ 41	$1,024
Accelerated depreciation and asset disposal losses	(1)	--	98
Total business consolidation, restructuring and related charges		$ 41	$1,122

(1) Represents accelerated depreciation on certain leasehold improvements and other fixed assets, due to the closing of the Wallingford facility. These charges are included in general and administrative expenses.

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

Certain statements included in this report, including without limitation statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements involve risks and uncertainties, including, but not limited to, customer acceptance and market share gains, both domestically and internationally, in the face of substantial competition from competitors that have broader lines of products and greater financial resources; introduction of new products by competitors; successful product development; dependence on significant customers; dependence on third parties for sales in Europe and Latin America; economic conditions in the United States, Europe and Latin America; marketplace acceptance of new products; risks associated with foreign operations; the Company's ability to successfully sublease its facility in Wallingford, CT subsequent to its closing; availability of third-party components at reasonable prices; and the absence of price wars or other significant pricing pressures affecting the Company's products in the United States or abroad. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements. The forward-looking statements speak only as of the date of this report and the Company assumes no duty to update them to reflect new, changing or unanticipated events or circumstances.

PLANT CONSOLIDATION

In February 2001, the Company announced plans to establish a global engineering and manufacturing center at its Ithaca, NY facility. As part of this strategic decision, the Company undertook a plan to consolidate all manufacturing and engineering into its existing Ithaca, NY facility and close its Wallingford, CT facility (the "Consolidation"). The Company's technology shift to inkjet and thermal printing from dot matrix impact printing has dramatically reduced the labor content in printers, and therefore, lowers the required production capacity. As of December 31, 2001, substantially all Wallingford product lines were successfully transferred to Ithaca, NY. The Company expects to maintain one small component production line in Wallingford until May 2002, after which the manufacturing facility will be closed. The closing of the Wallingford facility is expected to result in the termination of employment of approximately 70 production, administrative and management employees. The Company estimates that the non-recurring costs associated with the Consolidation, including severance pay, stay bonuses, employee benefits, moving expenses, non-cancelable lease payments, and other costs, will be approximately $4.2 million, of which approximately $4.1 million was recognized during 2001. See the "Liquidity and Capital Resources" section for a discussion of the expected impact of the Consolidation on the Company's future results of operations and cash flows.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

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

(In thousands, except %)	Three months ended March 31, 2002		Three months ended March 31, 2001	
Point of sale	$ 3,622	34.4%	$ 6,005	61.5%
Gaming and lottery	6,453	61.3	1,928	19.7
Other	450	4.3	1,840	18.8
	$10,525	100.0%	$ 9,773	100.0%

Net sales for the first quarter of 2002 increased $752,000, or 8%, to $10,525,000 from the prior year's first quarter, due to significantly higher shipments into the Company's gaming and lottery market, largely offset by decreased sales into the point of sale ("POS") and the Company's other markets. Overall, international sales decreased to $1,011,000, or 9.6% of net sales in the first quarter of 2002, from $3,544,000, or 36.3% of net sales in the first quarter of 2001, largely due to a reduction in revenue related to the British Post Office project (approximately $800,000) and kiosk printer shipments for use in a Canadian government application (approximately $1,000,000).

Point of sale: Sales of the Company's POS printers overall decreased by approximately $2,383,000, or 40% from the same period last year. Domestic POS printer sales totaling $2,661,000 were lower by $840,000, or 24%, as the Company continues to experience softness in demand from the Company's domestic distributors. Due to on-going economic weakness, the Company expects continued worldwide softness in demand for its POS products during 2002.

International POS printer shipments decreased approximately $1,543,000 due to a number of factors. First, sales for the British Post Office project, which include printer shipments and service revenue, declined by approximately $800,000 to approximately $300,000 in the first quarter of 2002 from approximately $1,100,000 in the same quarter last year. The Company completed shipping printers for the British Post Office project during the first quarter of 2001, and no future sales, other than spare parts and service, are expected during 2002. Secondly, shipments of the Company's thermal fiscal printer in Europe declined by approximately $350,000 to $64,000 in the first quarter of 2002. Although the Company continues to pursue sales of its fiscal printer, such sales are principally project-oriented, and the Company cannot predict if and when future sales may occur. Lastly, the Company experienced a decrease in sales in Latin America of approximately $400,000 through Okidata, the Company's distribution partner in Latin America.

Gaming and lottery: Sales of the Company's gaming and lottery printers increased by $4,525,000, or 235%, from the first quarter a year ago. The primary reason for the increase of revenue in this market is the resumption of shipments of the Company's on-line and in-lane lottery printers to GTECH Corporation ("GTECH") (a worldwide lottery terminal provider and major customer of the Company) in the first quarter of 2002. Shipments of on-line lottery printers and spare parts totaled approximately $3,800,000 in the first quarter of 2002. The Company made no shipments of on-line lottery printers during the first quarter of 2001. The Company has received orders from GTECH for on-line lottery printers, of which approximately $5,700,000 will be delivered during the remainder of 2002 and $500,000 in 2003. Shipments of in-lane lottery printers totaled approximately $550,000 in the first quarter of 2002, compared to none in same quarter of 2001. Since sales of in-lane lottery printers are project-oriented, the Company cannot predict if and when future sales may occur.

In addition to the printer sales to GTECH, sales of the Company's video lottery terminal ("VLT") printers increased by approximately $1,000,000 to approximately $1,500,000, due largely to new installations in West Virginia. Since VLT printer sales are largely project-oriented, the Company cannot predict if and when future sales may occur. However based on existing orders and sales opportunities, the Company expects higher sales of VLT printers in 2002 compared to 2001 sales of approximately $1,700,000.

Offsetting the above increases, the Company experienced a decrease of approximately $900,000 of the Company's slot machine and gaming printers, spares and repairs. Such printers are primarily for use in slot machines and other gaming machines at casinos in California and Nevada that print receipts instead of dropping coins. The Company expects sales of its slot machine printers and other gaming printers to increase significantly in the second quarter of 2002 over the first quarter of 2002 and the second quarter last year, and to continue to increase during the second half of 2002 as more casinos are expected to convert to ticket-in, ticket-out slot machines.

Other: Sales of the Company's printers into other markets decreased by $1,390,000, or 76%, to $450,000 from the prior year's comparable quarter. The first quarter of 2001 included shipments of approximately $1,000,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers were made in the first quarter of 2002. However, the Company expects to ship printers for this application during the second half of 2002, although the amount is not known at this time. In addition, sales of the Company's ATM printer, kiosk printers and related spares declined by approximately $400,000. Since printer sales into this market are principally project-oriented, the Company cannot predict if and when future sales may occur.

GROSS PROFIT. Gross profit increased $823,000, or 46%, to $2,626,000 from the prior year's quarter due primarily to higher volume sales, an improved sales mix and cost reductions resulting from the Consolidation. The gross margin also increased to 25.0% from 18.5%. Both gross profit and gross margin for the prior year's first quarter were adversely impacted by lower sales volume due largely to the absence of on-line lottery printer shipments to GTECH. Printer shipments to GTECH resumed during the first quarter of 2002. The Company expects its gross margin for the full-year 2002 to improve to between 25% and 26% due to cost savings resulting from the Consolidation.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses decreased $272,000, or 33%, to $546,000 from the first quarter of 2001, and decreased as a percentage of net sales to 5.2% from 8.4%. This decrease is primarily due to a reduction in engineering staff at the Company's Wallingford facility due to the Consolidation.

SELLING AND MARKETING. Selling and marketing expenses decreased $115,000, or 10%, to $1,031,000 from the first quarter of 2001, and decreased as a percentage of net sales to 9.8% from 11.7%. Such expenses decreased due mostly to lower planned promotional and advertising expenses and staff reductions resulting from the Consolidation.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased by $331,000, or 22%, to $1,176,000 from the comparable prior year's quarter, and decreased as a percentage of net sales to 11.2% from 15.4%. The decrease primarily resulted from (1) staff reductions resulting from the Consolidation and (2) the inclusion in the first quarter of 2001 of $98,000 of accelerated depreciation on certain assets located at the Company's Wallingford, CT facility (primarily leasehold improvements and computer equipment) whose useful lives were shortened as a result of the Consolidation.

BUSINESS CONSOLIDATION AND RESTRUCTURING. During the first quarter of 2002, the Company incurred $41,000 of expenses related to the Consolidation, compared to approximately $1,024,000 in the first quarter a year ago. In 2002 these expenses were primarily severance costs; in 2001 these expenses included a portion of employee severance and termination expenses incurred during the quarter, and facility closure and consolidation expenses (including moving expenses, estimated non-cancelable lease payments and other costs). See Note 5 to the Consolidated Condensed Financial Statements.

OPERATING LOSS. Operating loss was reduced by $2,524,000, to $168,000 in the first quarter of 2001, primarily due to the higher expenses related to the Consolidation in the first quarter a year ago and higher gross margin on increased sales in the first quarter of 2002 compared to the first quarter of 2001.

INTEREST. Net interest expense decreased to $55,000 from $94,000 in the first quarter of 2001 due largely to the repayment of all outstanding borrowings under the Company's revolving bank facility in late February 2002. The cash proceeds for the repayment resulted from the receipt of an advance payment of approximately $5.8 million from a major customer in advance of printer shipments to be made from March through August 2002. The Company expects its revolving borrowings to return to approximately the same level as December 31, 2001 by the end of the third quarter 2002. As a result, interest expense is expected to increase sequentially in each of the remaining quarters of 2002. See "Liquidity and Capital Resources" below.

INCOME TAXES. As a result of the Company's loss before taxes, the Company recorded an income tax benefit of $73,000 and $988,000 in the first quarter of 2002 and 2001, respectively at an effective rate of approximately 36.0% in both quarters.

NET LOSS. The Company incurred a net loss during the first quarter of 2002 of $129,000, or $0.04 per share (basic and diluted) after giving effect to $90,000 of dividends and accretion charges on preferred stock. This compares to a net loss of $1,757,000, or $0.33 per share (basic and diluted) for the first quarter of 2001, after giving effect to $90,000 of dividends and accretion charges on preferred stock. In future quarters, dividends and accretion charges on preferred stock will be approximately $90,000, assuming no conversion or redemption of the preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

The Company generated cash from operations of $4,883,000 and $1,157,000 in the first quarter of 2002 and 2001, respectively. The significant increase in cash generated from operations in the first quarter of 2002 was largely the result of the receipt of a $5,824,000 advance payment from a major customer in February 2002, of which $4,062,000 was outstanding at quarter end. (See Note 4 to the Consolidated Condensed Financial Statements.) Depreciation and amortization totaled $608,000 in the quarter. Receivables were lower by $471,000, primarily the result of the advance payment noted above. Without the advance payment, receivables would have increased by approximately $1,000,000. Inventories were reduced in the quarter by approximately $350,000 due to higher shipments and tighter inventory management. Offsetting the activities providing cash in the quarter was the net reduction in the restructuring accrual of $644,000, representing primarily payouts for severance pay and related benefits of $685,000 and an additional accrual of $41,000.

WORKING CAPITAL

The Company's working capital decreased to $3,612,000 at March 31, 2002 from $8,366,000 at December 31, 2001. The current ratio also decreased to 1.28 to 1 at March 31, 2002 from 1.90 to 1 at December 31, 2001. The decrease in both working capital and the current ratio were largely due to the receipt of a $5,824,000 advance payment from a major customer in February 2002, the balance of which ($4,062,000) is carried as a current liability in the condensed consolidated balance sheet.

CREDIT FACILITY AND BORROWINGS

On May 25, 2001, the Company entered into a three-year, $13.5 million credit facility (the "LaSalle Credit Facility") with LaSalle Business Credit, Inc. ("LaSalle") expiring on May 25, 2004 to replace its prior credit facility with Webster Bank. The LaSalle Credit Facility provides a $12 million revolving credit line, a $0.5 million term loan and a $1 million equipment loan facility. Borrowings under the LaSalle Credit Facility bear a floating rate of interest based on LaSalle's prime rate. Under certain circumstances, the Company 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.

On October 30, 2001, the Company amended the LaSalle Credit Facility. Under the terms of the amendment ("LaSalle Amendment No.1"), LaSalle, in consideration of certain waivers and other matters, (1) increased the floating rate of interest on borrowings under the revolving credit line to LaSalle's prime rate plus 1.0%, or the current LIBOR rate plus 3.5%, and (2) increased the floating rate of interest on borrowings under the term loan and equipment loan to LaSalle's prime rate plus 1.5%, or the current LIBOR rate plus 4.0%. Upon execution of LaSalle Amendment No. 1, the Company paid a fee of $20,000 to LaSalle.

On December 21, 2001, the Company amended the LaSalle Credit Facility to reset certain financial covenants for 2002 and beyond ("LaSalle Amendment No. 2). Upon execution of LaSalle Amendment No. 2, the Company paid a fee of $5,000 to LaSalle.

As of March 31, 2002, the Company had no borrowings outstanding on the revolving credit line compared to $4,994,000 outstanding at December 31, 2001. At March 31, 2002 the Company had $425,000 outstanding under the term loan, compared to $450,000 at December 31, 2001. Annual principal payments on the term loan are $100,000. There were no borrowings under the equipment loan.

PREFERRED STOCK

In connection with its 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock"), the Company paid $70,000 of cash dividends to Advance Capital Advisors, L.P. in the first quarter of 2002 and 2001, respectively, and expects to pay $70,000 per quarter for the remainder of 2002. The preferred stock is redeemable at the option of the holders on April 7, 2005 for an aggregate of $4,000,000 plus any unpaid dividends.

CAPITAL EXPENDITURES

The Company's capital expenditures were approximately $190,000 and $138,000 in the first quarter of 2002 and 2001, respectively. These expenditures primarily included new product tooling, computer equipment, and factory machinery and equipment. The Company's capital expenditures for the remainder of 2002 are expected to be approximately $800,000, a majority for new product tooling.

CONSOLIDATION EXPENSES

During 2001, the Company 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, the Company estimates that it will incur an additional $50,000 to $100,000 of non-recurring costs associated with the Consolidation during 2002, of which $41,000 was recorded in the first quarter. These costs in 2002 include (1) expenses incurred to physically move the remaining assets of the Wallingford, CT facility to Ithaca, NY and (2) severance costs for employees who terminate in 2002. The Company believes that the Consolidation will significantly lower the Company's cost structure in 2002, with estimated annual cost savings of at least $4 million compared to 2001. The first quarter 2002 operating results reflect a portion of those cost savings.

Of the total of $4,200,000 of expenses, approximately $3,400,000 requires cash outlays. During 2001, the Company paid approximately $400,000 of these costs, with substantially all the remaining costs expected to be paid during 2002. During the first quarter of 2002, the Company paid $685,000 of these expenses.

RESOURCE SUFFICIENCY

The Company believes that cash flows generated from operations and borrowings available under the LaSalle Credit Facility, as amended, will provide sufficient resources to meet the Company's working capital needs, including costs associated with the Consolidation, finance its capital expenditures and meet its liquidity requirements through December 31, 2002.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company's exposure to market risk for changes in interest rates relates primarily to borrowings under the Company's Credit Facility with LaSalle Business Credit. 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 the Credit Facility would not have a material effect on the Company's results of operations or cash flow.

FOREIGN CURRENCY EXCHANGE RISK

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

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits filed herein

Exhibit 10.26	Loan Agreement by and between the Company and Bart C. Shuldman, dated January 1, 2002
Exhibit 11.1	Computation of earnings per share

b. Reports on Form 8-K

None.

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 13, 2002

/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	
10.26	Loan Agreement by and between the Company and Bart C. Shuldman, dated January 1, 2002
11.1	Computation of earnings per share.

EXHIBIT 10.26

PROMISSORY NOTE

$409,340 January 1, 2002

FOR VALUE RECEIVED, the undersigned, BART C. SHULDMAN (the "Maker"), promises to pay to the order OF TRANSACT TECHNOLOGIES INCORPORATED (the "Lender"), at its office at 7 Laser Lane, Wallingford, Connecticut (the "Holder"), or at such other place as the Holder hereof may designate from time to time, in lawful money of the United States, the principal sum of Four Hundred Nine Thousand Three Hundred Forty Dollars ($409,340), together with interest thereon computed. Such new principal amount represents the original loan of $330,000 made on February 23, 1999, plus interest accrued to December 31, 2001.

1. (a) The Maker shall repay the principal amount of this Note, together with accrued interest, on February 23, 2004 (the "Maturity Date"), unless the Maturity Date has been advanced pursuant to the terms hereof; provided, however, the Holder, in its sole and absolute discretion, may elect to accelerate the indebtedness of this Note upon the occurrence of an Event of Default (as defined below).

(b) The Maker may prepay all or any part of the amounts outstanding under this Note at any time and from time to time without premium or penalty.

(c) Only such amounts advanced to the undersigned (less repayments, if any), together with (a) interest thereon, (b) all taxes levied or assessed against the Holder on this Note or the debt evidenced hereby, except for income or other similar taxes, however designated, on income derived by the Holder herefrom, and (c) all costs, expenses, attorneys' fees and professionals' fees incurred by the Holder in (i) any action to collect this Note or to foreclose any security for this Note, or (ii) in protecting or sustaining the lien of any security, or (iii) in any litigation or controversy arising from or connected with any security agreement or this Note, shall be deemed due hereunder.

2. (a) Commencing on the date hereof through December 31, 2002, interest under this Note shall accrue monthly on the principal amount at the beginning of such month at a variable rate that is the greater of (i) the average interest rate paid by the Company during such month, as calculated under the Lender's credit facility with its primary lender (currently LaSalle Business Credit), and which rate shall be subject to adjustment as and when adjusted under the terms of such credit facility or any replacement credit facility or (ii) the Applicable Federal Rate published by the Internal Revenue Service each month in the Internal Revenue Bulletin during the term of this Note (the "Monthly Note Rate") and such accrued interest shall be added to the principal amount monthly at the end of each month and be due and payable on the Maturity Date.

(b) Commencing on January 1, 2003, interest under this Note shall accrue monthly on the principal amount on December 31, 2002 at a variable rate that is the greater of (i) the average interest rate paid by the Company during such month, as calculated under the Lender's credit facility with its primary lender (currently LaSalle Business Credit), and which rate shall be subject to adjustment as and when adjusted under the terms of such credit facility or any replacement credit facility or (ii) the Applicable Federal Rate published by the Internal Revenue Service each month in the Internal Revenue Bulletin during the term of this Note (the "Annual Note Rate" and together with the Monthly Note Rate, the "Note Rate") and such accrued interest shall be due and payable annually in arrears on the earlier of the fifteenth (15th) day of March or the Maturity Date.

(c) The Company shall timely notify the Maker of the Note Rate to permit the Maker to remit payment in compliance with this Section 2.

(d) The Maker agrees that the interest rate shall increase by 2% per annum above the Note Rate from and after the date of an Event of Default or after maturity, by acceleration or otherwise, or judgment, and such additional rate shall remain in effect until all unpaid principal and interest are satisfied in full.

(e) Notwithstanding any provisions of this Note, the maximum rate of interest to be paid hereunder shall not exceed the maximum rate of interest permissible to be charged by the Holder under applicable laws. Any amount paid in excess of such rate shall be considered to have been payments in reduction of principal.

3. Term of the Note. The term of the Note shall be the indicated Maturity Date; provided that the Maturity Date shall be affected by the termination of employment, disability or death of the Maker as follows:

(a) In the event that (i) the Maker's employment with the Company is terminated for Cause as that term is defined in any employment agreement between the Maker and the Company in effect on the date of such termination or (ii) the Maker voluntarily terminates his employment with the Company, the Maturity Date of the Note shall be advanced to the date that is six months after the date of such termination, but in no event later than the Maturity Date.

(b) In the event that the Maker's employment with the Company is terminated by the Company without Cause or in the event of the Maker's disability, in each case as defined in any employment agreement between the Maker and the Company in effect on the date of such termination or disability, or in the event of the Maker's death, the Maturity Date of the Note shall remain unaffected.

4. The Maker agrees that (i) if Maker shall fail to make any of the payments required herein and fails to remedy such failure within thirty (30) days, (ii) if Maker shall suffer or permit the filing by or against him of any petition for relief, arrangement, reorganization or the like under any bankruptcy or insolvency law, make an assignment for the benefit of creditors or suffer or permit the appointment of a

receiver for any party of his property; (iii) if any Event of Default shall occur under any agreement securing this Note or executed in connection with this Note; or (iv) if any Event of Default shall occur under any other liability, indebtedness or obligation of the Maker to the Holder (each of the events and circumstances in (i), (ii), (iii) and (iv) being an Event of Default), then, upon the happening of any such Event of Default, the entire indebtedness with accrued interest due under this Note and all other expenses, including, but not limited to, attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, shall accelerate and become immediately due and payable at the option of the Holder without notice and without regard to the Maturity Date and the Holder may proceed to exercise any rights or remedies that it may have by law or at equity under this Note or any other agreement relating to the loan evidenced by this Note.

5. Failure of the Holder to exercise its option to accelerate the indebtedness of this Note shall not constitute a waiver of the Holder's right to exercise the same in the event of any subsequent Event of Default.

6. Unless applicable law provides otherwise, all payments received by the Holder under this Note shall, at the option of the Holder, be applied (a) to the then outstanding charges and expenses, including but not limited to attorneys' fees incurred by the Holder in sustaining and/or enforcing this Note or any security granted for this Note; then (b) to any unpaid and accrued interest; and finally, (c) to the outstanding principal indebtedness.

7. The Holder's failure to insist upon the strict performance of any term herein shall not be deemed to be a waiver, and the Holder shall retain the right thereafter to insist upon strict performance by the Maker of all terms of this Note or any agreement securing this Note or executed in connection herewith.

8. All amounts due under this Note are secured by the Maker's pledge to the Lender of shares of the Lender's common stock described in and pursuant to a Stock Pledge Agreement between the Maker and the Lender and dated the date hereof.

9. THE MAKER ACKNOWLEDGES THAT THE LOAN EVIDENCED BY THIS NOTE IS A COMMERCIAL TRANSACTION AND WAIVES HIS RIGHTS TO NOTICE AND HEARING AS ALLOWED BY ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE HOLDER MAY DESIRE TO USE. THE MAKER WAIVES DILIGENCE, DEMAND, PRESENTMENT FOR PAYMENT, NOTICE OF NONPAYMENT, PROTEST AND NOTICE OF PROTEST, AND NOTICE OF ANY RENEWALS OR EXTENSIONS OF THIS NOTE, AND ALL RIGHTS UNDER ANY STATUTES OF LIMITATIONS. THE MAKER ACKNOWLEDGES THAT HE MAKES THIS WAIVER KNOWINGLY, VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH HIS ATTORNEYS.

10. THE MAKER WAIVES TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN

CONNECTION WITH OR IN ANY WAY RELATED TO THE TRANSACTION OF WHICH THIS NOTE IS A PART AND/OR TO THE DEFENSE OR ENFORCEMENT OF ANY OF THE HOLDER'S RIGHTS AND REMEDIES, INCLUDING, WITHOUT LIMITATION, TORT CLAIMS. THE MAKER ACKNOWLEDGES THAT HE MAKES THIS WAIVER KNOWINGLY, VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF THIS WAIVER WITH HIS ATTORNEYS.

11. This Note and the provisions hereof shall inure to the benefit of the Holder, its successors and assigns and shall be binding upon the undersigned, his heirs, executors, administrators and assigns.

12. This Note shall be governed by and construed in accordance with the laws of the State of Connecticut. The Maker submits to personal jurisdiction in the State of Connecticut for the enforcement of the Maker's obligations hereunder and under any agreement securing this Note, and the Maker waives all rights under the laws of any other state to object to jurisdiction within the State of Connecticut. If litigation is commenced, the Maker agrees that service of process may be made and personal jurisdiction over the Maker obtained, by service of a copy of the summons, complaint and other pleadings required to commence such litigation upon the Maker by registered or certified mail to or by personal service at the last known address of the Maker.

/s/ Bart C. Shuldman

BART C. SHULDMAN

EXHIBIT 11.1

TRANSACT TECHNOLOGIES INCORPORATED
Computation of Earnings Per Share
(unaudited)

(In thousands, except per share data)	THREE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED MARCH 31, 2001
Net loss	$ (129)	$(1,757)
Dividends and accretion on preferred stock	(90)	(90)
Net loss available to common shareholders	$ (219)	$(1,847)
Shares:		
Basic - Weighted average common shares outstanding	5,604	5,531
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	--	--
Dilutive - Weighted average common and common equivalent shares outstanding	5,604	5,531
Net loss per share:		
Basic	$ (0.04)	$ (0.33)
Diluted	$ (0.04)	$ (0.33)