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: June 27, 1998

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)

Former address:
(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 JULY 31, 1998
COMMON STOCK, $.01 PAR VALUE	6,166,300

TRANSACT TECHNOLOGIES INCORPORATED

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TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	JUNE 27, 1998	December 31, 1997
	(UNAUDITED)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 321	$ 391
Receivables	7,365	7,235
Inventories	10,411	8,570
Other current assets	1,459	1,365
Total current assets	19,556	17,561
Plant and equipment, net	5,923	4,989
Excess of cost over fair value of net assets acquired	1,987	2,073
Other assets	98	76
	8,008	7,138
	$ 27,564	$ 24,699
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Bank loans payable	$ 5,800	$ 300
Accounts payable	4,427	3,043
Accrued liabilities	2,649	2,780
Total current liabilities	12,876	6,123
Other liabilities	581	673
Shareholders' equity:		
Common stock	68	68
Additional paid-in capital	15,169	14,975
Retained earnings	6,927	6,062
Unamortized restricted stock compensation	(1,029)	(942)
Cumulative translation adjustment	(6)	(9)
	21,129	20,154
Less: Treasury stock, at cost, 666,200 and 200,000 shares	(7,022)	(2,251)
Total shareholders' equity	14,107	17,903
	$ 27,564	$ 24,699

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED JUNE 27, 1998	THREE MONTHS ENDED June 28, 1997	SIX MONTHS ENDED JUNE 27, 1998	SIX MONTHS ENDED June 28, 1997
Net sales	$ 12,500	$ 15,569	$ 25,780	$ 29,583
Cost of sales	9,065	10,606	18,599	20,268
Gross profit	3,435	4,963	7,181	9,315
Operating expenses:				
Engineering, design and product development costs	983	779	1,816	1,457
Selling, general and administrative expenses	2,004	1,990	3,878	3,831
	2,987	2,769	5,694	5,288
Operating income	448	2,194	1,487	4,027
Other income (expense):				
Interest expense, net	(87)	(8)	(128)	(16)
Other, net	6	6	15	(7)
	(81)	(2)	(113)	(23)
Income before income taxes	367	2,192	1,374	4,004
Income taxes	136	832	509	1,557
Net income	$ 231	$ 1,360	$ 865	$ 2,447
Net income per common share:				
Basic	$ 0.04	$ 0.20	$ 0.14	$ 0.36
Diluted	$ 0.04	$ 0.20	$ 0.14	$ 0.36
Weighted average common shares outstanding:				
Basic	6,239	6,771	6,347	6,747
Diluted	6,264	6,895	6,394	6,886

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(UNAUDITED)

(In thousands)	SIX MONTHS ENDED JUNE 27, 1998	June 28, 1997
Cash flows from operating activities:		
Net income	$ 865	$ 2,447
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,047	807
Loss on disposal of equipment	9	--
Changes in operating assets and liabilities:		
Receivables	(130)	(2,533)
Inventory	(1,841)	(2,356)
Other current assets	(94)	(216)
Other assets	(63)	(27)
Accounts payable	1,384	2,731
Accrued liabilities and other liabilities	(223)	861
Net cash provided by operating activities	954	1,714
Cash flows from investing activities:		
Purchases of plant and equipment	(1,760)	(1,358)
Proceeds from sale of equipment	2	1
Net cash used in investing activities	(1,758)	(1,357)
Cash flows from financing activities:		
Bank line of credit borrowings	8,200	1,200
Bank line of credit repayments	(2,700)	(1,200)
Purchases of treasury stock	(4,771)	--
Proceeds from option exercises	2	--
Tax benefit related to employee stock sales	--	376
Payment of intercompany debt	--	(1,000)
Net cash provided by (used in) financing activities	731	(624)
Effect of exchange rate changes on cash	3	5
Decrease in cash and cash equivalents	(70)	(262)
Cash and cash equivalents at beginning of period	391	1,041
Cash and cash equivalents at end of period	$ 321	$ 779

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. In the opinion of 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 June 27, 1998, and the results of its operations and cash flows for the three and six months ended June 27, 1998 and June 28, 1997. The December 31, 1997 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, 1997 included in the Company's Annual Report on Form 10-K.

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

The results of operations for the three and six months ended June 27, 1998 and June 28, 1997 are not necessarily indicative of the results to be expected for the full year.

2. Earnings per share

Basic earnings per common share for the three and six months ended June 27, 1998 and June 28, 1997 were based on the weighted average number of shares outstanding during the period. Diluted earnings per share for the same periods were based on the weighted average number of shares after consideration of any dilutive effect of stock options and warrants.

3. Inventories:

The components of inventory are:

(In thousands)	June 27, 1998	December 31, 1997
Raw materials and component parts	$ 8,922	$ 7,482
Work-in-process	939	588
Finished goods	550	500
	$ 10,411	$ 8,570

4. Commitments and contingencies

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

5. Significant transactions

During the six months ended June 27, 1998, the Company purchased 466,200 of its common stock on the open market for approximately $4,771,000, of which 166,200 shares were purchased on the open market for approximately $1,556,000 during the three months ended June 27, 1998.

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 may be deemed to contain forward looking statements with respect to events the occurrence of which involves risks and uncertainties, including, but not limited to, customer acceptance and market share gain in the European and Latin American markets in the face of substantial competition from competitors that have broader lines of products; successful product development; dependence on significant customers; economic conditions in the United States, Europe and Latin America; marketplace acceptance of new products; risks associated with foreign operations; availability of third-party components at reasonable prices; and the absence of price wars or other significant pricing pressures affecting the Company's products in the United States or abroad.

IMPACT OF THE YEAR 2000 ISSUE. The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company's products and key financial and operating systems are being reviewed and, where required, detailed plans have been or are being developed and implemented on a schedule intended to permit the Company's computer systems and products to continue to function properly. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue can be mitigated. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company. Furthermore, there can be no guarantee that the systems of other companies on which the Company's system rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have an material adverse effect on the Company. Management does not expect costs associated with the Year 2000 Issue to have a material adverse impact on the Company's financial position, results of operations or cash flows.

RESULTS OF OPERATIONS
THREE MONTHS ENDED JUNE 27, 1998 COMPARED TO THREE MONTHS ENDED JUNE 28, 1997

NET SALES. Net sales into each of the Company's four vertical markets for the current and prior year's quarter were as follows:

	Three months ended June 27, 1998		Three months ended June 28, 1997	
Point of sale	$ 7,349	58.8 %	$ 5,648	36.3 %
Gaming and lottery	4,598	36.8	6,886	44.2
Kiosk	271	2.2	1,940	12.5
Financial services	282	2.2	1,095	7.0
	$12,500	100.0 %	$15,569	100.0 %

Net sales for the second quarter of 1998 decreased $3,069,000, or 20%, to $12,500,000 from $15,569,000 in the prior year's second quarter, due to decreased shipments into the gaming and lottery, kiosk and financial services markets, somewhat offset by a significant increase in the POS market.

Point of sale: Sales of the Company's POS printers increased approximately $1,701,000, or 30%, due largely to increased international printer shipments, including substantially more shipments of printers for use in the British post office project. Shipments of printers to the British post office project increased to approximately $1,600,000 in the second quarter of 1998 from approximately $600,000 in the same quarter a year ago. The Company expects to ship approximately $1,400,000 of these printers during the third quarter of 1998. However, beyond the third quarter of 1998, the Company does not anticipate making any further printer shipments related to this project until 1999. Domestic POS printer sales were consistent with the prior year's quarter.

Gaming and lottery: Sales of the Company's gaming and lottery printers decreased approximately $2,288,000, or 33%, from the second quarter a year ago. The overall decrease primarily reflects a decrease of approximately $1,400,000 in shipments of the Company's on-line lottery printers and spare parts due to lower order levels from one customer in the second quarter of 1998 compared to the second quarter of 1997. Shipments of on-line lottery printers and spares to this customer were approximately $3,800,000, or 30% of net sales, in the current quarter, compared to approximately $5,200,000, or 33% of net sales, in the comparable prior year's quarter. The Company expects the order level from this customer for the remainder of 1998 to continue to be lower than that of 1997. Additionally, shipments of printers for use in video lottery terminals decreased approximately $900,000, including reduced printer shipments due to the uncertainty in South Carolina's video poker industry concerning the industry's continued future in the state, which is currently being litigated.

Kiosk: Kiosk printer sales decreased $1,669,000, or 86%, to $271,000 from $1,940,000 in the prior year's quarter, which included shipments totaling approximately $1,200,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers occurred in the second quarter of 1998. The remaining decrease primarily reflects shipments of other kiosk printers to various customers in the second quarter of 1997 that did not repeat in the second quarter of 1998.

Financial services: Sales of the Company's printers into the financial services market decreased approximately $813,000, or 74%, primarily due to decreased shipments of printers to one customer used in automated teller machines. Due to an anticipated continued slowdown in the order level from this customer during 1998, the Company expects sales of its financial services printers for the remainder of 1998 to be lower than the comparable period of 1997.

GROSS PROFIT. Gross profit decreased $1,528,000, or 31%, to $3,435,000 from $4,963,000 in the prior year's quarter due primarily to lower volume of sales. The gross margin declined to 27.5% from 31.9% largely due to lower sales volume and an unfavorable change in sales mix, as sales to certain customers at volume discount prices represented a larger proportion of sales in the second quarter of 1998 compared to the second quarter of 1997. As a result of this change in sales mix, the Company now expects its gross margin in the second half of 1998 to be relatively consistent with that of the first half of the year.

ENGINEERING, DESIGN AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased $204,000, or 26%, to $983,000 from $779,000 in the three months ended June 28, 1997, and increased as a percentage of net sales to 7.9% from 5.0%. This increase is primarily due to increased product development and design expenses, primarily for new products in the POS market, including expenses related to additional engineering staff.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased slightly by $14,000, or 1%, to $2,004,000 from $1,990,000 in the comparable prior year's quarter. Both selling expenses and general and administrative expenses were consistent with the prior year's quarter. Selling, general and administrative expenses increased as a percentage of net sales to 16.0% from 12.8%, primarily due to a lower volume of sales in the second quarter of 1998 compared to 1997.

OPERATING INCOME. Operating income decreased $1,746,000, or 80%, to $448,000 from $2,194,000 in the second quarter of 1997. Operating income as a percentage of net sales declined to 3.6% from 14.1%, primarily due to lower gross margin on lower sales volume and also due to increased operating expenses in the second quarter of 1998 compared to 1997.

INTEREST. Net interest expense increased to $87,000 from $8,000 in the second quarter of 1997 due to increased borrowings on the Company's line of credit during the second quarter of 1998 to fund stock repurchases and working capital requirements. See "Liquidity and Capital Resources" below.

INCOME TAXES. The provision for income taxes for the quarter ended June 27, 1998 reflects an effective tax rate of 37.1% compared to 38.0% in the prior year's period. The decline in the Company's effective tax rate is largely due to tax benefits derived from the establishment of a foreign sales corporation and certain tax credits.

NET INCOME. Net income for the current quarter was $231,000, or $0.04 per share (basic and diluted) compared to $1,360,000, or $0.20 per share (basic and diluted) for the prior year's quarter.

SIX MONTHS ENDED JUNE 27, 1998 COMPARED TO SIX MONTHS ENDED JUNE 28, 1997

NET SALES. Net sales into each of the Company's four vertical markets for the current and prior six-month period were as follows:

	Six months ended June 27, 1998		Six months ended June 28, 1997	
Point of sale	15,162	58.8 %	$10,697	36.2 %
Gaming and lottery	8,786	34.1	11,888	40.2
Kiosk	722	2.8	4,413	14.9
Financial services	1,110	4.3	2,585	8.7
	25,780	100.0 %	$29,583	100.0 %

Net sales for the first half of 1998 decreased $3,803,000, or 13%, to $25,780,000 from $29,583,000 in the prior year's period, due to decreased shipments into the gaming and lottery, kiosk and financial services markets, offset by a significant increase in the POS market.

Point of sale: Sales of the Company's POS printers increased approximately $4,465,000, or 42%, due largely to increased international printer shipments (an increase of approximately $3,300,000), including substantially more shipments of printers for use in the British post office project. Shipments of printers to the British post office project were approximately $3,200,000 in the first half of 1998 compared to approximately $800,000 in the same period a year ago. The Company expects to ship approximately $1,400,000 of these printers during the third quarter of 1998. However, beyond the third quarter of 1998, the Company does not anticipate making any further printer shipments related to this project until 1999. In addition to increased international shipments, domestic POS printer shipments increased approximately $1,200,000.

Gaming and lottery: Sales of the Company's gaming and lottery printers decreased approximately $3,102,000, or 26%, from the first half a year ago. The overall decrease primarily reflects a decrease of approximately $2,800,000 in shipments of printers for use in video lottery terminals due largely to the uncertainty in South Carolina's video poker industry concerning the industry's continued future in the state, which is currently being litigated. Additionally, shipments of the Company's on-line lottery printers and spare parts declined $400,000 due to lower order levels from one customer in the first half of 1998 compared to the same period of 1997. Shipments of on-line lottery printers and spares to this customer were approximately $7,500,000, or 29% of net sales, in the current period, compared to approximately $7,900,000, or 27% of net sales, in the comparable prior year's period. The Company expects the order level from this customer for the remainder of 1998 to continue to be lower than that of 1997.

Kiosk: Kiosk printer sales decreased $3,691,000, or 84%, to $722,000 from $4,413,000 in the prior year's period, which included shipments totaling approximately $3,100,000 of the Company's thermal kiosk printers for use in a Canadian government application. No shipments of these printers occurred in the first six months of 1998. The remaining decrease in kiosk printer sales primarily reflects shipments of other kiosk printers to various customers in the first half of 1997 that did not repeat in the first half of 1998.

Financial services: Sales of the Company's printers into the financial services market decreased approximately $1,475,000, or 57%, primarily due to decreased shipments of printers to one customer used in automated teller machines. Due to an anticipated continued slowdown in the order level from this customer during 1998, the Company expects sales of its financial services printers for the remainder of 1998 to be lower than the comparable period of 1997.

GROSS PROFIT. Gross profit decreased $2,134,000, or 23%, to $7,181,000 from $9,315,000 in first half of 1997 due primarily to lower volume of sales. The gross margin declined to 27.9% from 31.5% largely due to lower sales volume and an unfavorable change in sales mix, as sales to certain customers at volume discount prices represented a larger proportion of sales in the first half of 1998 compared to the first half of 1997. As a result of this change in sales mix, the Company now expects its gross margin in the second half of 1998 to be relatively consistent with that of the first half of the year.

ENGINEERING, DESIGN AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased $359,000, or 25%, to $1,816,000 from $1,457,000 in the six months ended June 28, 1997, and increased as a percentage of net sales to 7.1% from 4.9%. This increase is primarily due to increased product development and design expenses, primarily for new products in the POS market, including expenses related to additional engineering staff.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased slightly by $47,000, or 1%, to $3,878,000 from $3,831,000 in the comparable prior year's period. Both selling expenses and general and administrative expenses were consistent with the prior year's period. Selling, general and administrative expenses increased as a percentage of net sales to 15.0% from 13.0%, primarily due to a lower volume of sales in the first half of 1998 compared to 1997.

OPERATING INCOME. Operating income decreased $2,540,000, or 63%, to $1,487,000 from $4,027,000 in the first six months of 1997. Operating income as a percentage of net sales declined to 5.8% from 13.6%, due primarily to lower gross margin on lower sales volume and also due to increased operating expenses in the first six months of 1998 compared to 1997.

INTEREST. Net interest expense increased to $128,000 from $16,000 in the first six months of 1997 due to increased borrowings on the Company's line of credit during the first half of 1998 to fund stock repurchases and working capital requirements. See "Liquidity and Capital Resources" below.

INCOME TAXES. The provision for income taxes for the six months ended June 27, 1998 reflects an effective tax rate of 37.0% compared to 38.9% in the prior year's period. The decline in the Company's effective tax rate is largely due to tax benefits derived from the establishment of a foreign sales corporation and certain tax credits.

NET INCOME. Net income for the current period was $865,000, or $0.14 per share (basic and diluted) compared to $2,447,000, or $0.36 per share (basic and diluted) for the prior year's period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash provided by operations was $954,000 and $1,714,000 for the six months ended June 27, 1998 and June 28, 1997, respectively. The Company's working capital declined to $6,680,000 at June 27, 1998 from $11,438,000 at December 31, 1997. The current ratio also declined to 1.52 at June 27, 1998 from 2.87 at December 31, 1997. The decrease in the Company's working capital and current ratio in the first half of 1998 was largely the result of short-term financing for stock repurchases (see below) and, to a lesser extent, for short-term working capital requirements.

During November 1997, the Board of Directors approved the repurchase of up to 500,000 shares of the Company's common stock at a price of no more than $12 per share. As of December 31, 1997, the Company acquired 200,000 shares of its common stock for $2,251,000. During the first quarter of 1998, the Company repurchased the remaining 300,000 shares authorized by the Board for approximately $3,215,000. In May 1998, the Board approved the repurchase of an additional 500,000 shares, of which the Company repurchased 166,200 shares for approximately $1,556,000 during the second quarter of 1998. Future repurchases of the Company's stock will depend upon the future cash flow of the Company and stock market conditions. Since the Company began the stock repurchase program in December 1997, it has repurchased 666,200 shares for $7,022,000 (an average cost of $10.54 per share).

The Company has in place a $15,000,000 revolving credit facility (the "Credit Facility") with Fleet National Bank ("Fleet"). The Credit Facility provides the Company with a $5,000,000 revolving working capital facility, and a $10,000,000 revolving credit facility that may be used for activities such as acquisitions and repurchases of the Company's common stock. Borrowings under the $10,000,000 revolving credit facility may, at the Company's election, be converted to a four-year term loan commencing on June 30, 1999, the expiration date of the Credit Facility. Any term loan borrowings mature on June 30, 2003. Borrowings under the Credit Facility bear interest at Fleet's prime rate (8.50% at June 27, 1998) and bear a commitment fee ranging from 0.25% to 0.50% on any unused portion of the Credit Facility. The Credit Facility also permits the Company to designate a LIBOR rate on outstanding borrowings with a margin ranging from 1.25 to 1.75 percentage points over the market rate, depending on the Company meeting certain ratios. The Credit Facility is secured by a lien on substantially all of the assets of the Company, imposes certain financial covenants and restricts the payment of cash dividends and the creation of liens.

At December 31, 1997, the Company had outstanding borrowings of $300,000. During the six months ended June 27, 1998, the Company borrowed $8,200,000 under the Credit Facility, primarily to fund its common stock repurchases, and to fund its short-term working capital requirements. The Company repaid $2,700,000 of its borrowings during the period, with $5,800,000 outstanding at June 27, 1998.

The Company's capital expenditures were approximately $1,760,000 and $1,358,000 for the six months ended June 27, 1998 and June 28, 1997, respectively. These expenditures primarily included new product tooling, computer equipment, and factory machinery and equipment. The Company's total capital expenditures for fiscal 1998 are expected to be approximately $3,000,000, a majority for new product tooling.

The Company believes that cash flows generated from operations and borrowings available under the Credit Facility, if necessary, will provide sufficient resources to meet the Company's working capital needs, finance its capital expenditures and stock repurchases (if any), and meet its liquidity requirements through December 31, 1998.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

PART II. OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Shareholders on May 7, 1998. Matters voted upon at the meeting and the number of votes cast for, against or withheld, are as follows:

(1) To consider and act upon a proposal to elect two Directors to serve until the Annual Meeting of Shareholders in the year 2001 or until their successors have been duly elected and qualified. Nominees were Graham Y. Tanaka and Richard L. Cote. Votes cast were as follows:

	For	Abstained
Graham Y. Tanaka	5,973,141	205,607
Richard L. Cote	5,973,187	205,561

(2) To ratify the selection of Price Waterhouse LLP as independent accountants for 1998. Votes cast were as follows: 5,984,099 for; 129,660 against; 64,989 abstained.

(3) To approve an amendment to the 1996 Stock Plan to increase the number of shares of Common Stock subject thereto. Votes cast were as follows: 5,389,878 for; 611,152 against; 150,420 abstained.

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits filed herein

Exhibit 10.31	Amended and Restated Manufacturing Support Services Agreement between Tridex Corporation and Magnetec Corporation dated as of June 1, 1998
Exhibit 11	Computation of Earnings Per Share
Exhibit 27	Financial Data Schedule

b. Reports on Form 8-K

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

SIGNATURES

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

TRANSACT TECHNOLOGIES INCORPORATED

(Registrant)

August 11, 1998

/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
Corporate Controller
(Principal Accounting Officer)

EXHIBIT 10.31

AMENDED AND RESTATED
MANUFACTURING SUPPORT SERVICES AGREEMENT

THIS AMENDED AND RESTATED MANUFACTURING SUPPORT SERVICES AGREEMENT (the "Agreement") is dated as of June 1, 1998 by and between Tridex Corporation, a Connecticut corporation ("Tridex"), and Magnetec Corporation, a Connecticut corporation ("Magnetec").

WHEREAS, Magnetec and Tridex entered into a Manufacturing Support Services Agreement dated as of September 28, 1996 (the "Original Agreement"), under which Magnetec has provided certain services to Tridex in connection with Tridex's conduct of the ribbon business (the "Ribbon Business"); and

WHEREAS, Tridex and Magnetec wish to amend and restate such Original Agreement to reflect their revised agreement;

NOW, THEREFORE, in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Staffing: Management Supervision and Control by Tridex.

(a) No Magnetec employees will engage directly in the manufacturing operations of the Ribbon Business. Tridex shall employ all personnel required to be directly engaged in such operations, and only the individuals employed by Tridex for the Ribbon Business shall be permitted to operate Ribbon Business equipment.

(b) Tridex shall maintain managerial supervision and control of the Ribbon Business manufacturing operations and shall exercise final approval authority over all Tridex purchase orders and Tridex checks prepared by Magnetec in connection with the manufacturing support services rendered hereunder. The designated Tridex employee (the "Ribbon Line Supervisor") will supervise the Ribbon Business manufacturing line employees and serve as day-to-day on-site representative of Tridex for Ribbon Business matters.

(c) The Ribbon Line Supervisor, or another Tridex employee (as designated by Tridex in writing to Magnetec), shall: (i) forecast annual materials requirements; (ii) develop material requirements planning ("MRP") data for input to Magnetec's automated manufacturing and inventory control systems; (iii) develop a production schedule and determine quantities and delivery dates required for periodic materials requirements; (iv) issue Tridex purchase orders for delivery of such materials in the appropriate quantities on the delivery dates; (v) supervise Tridex employees engaged in the manufacturing operations of the Ribbon Business; (vi) collect Ribbon Business receivables; (vii) authorize payment of invoices; and (viii) supervise third-party payroll service and provide Tridex federal taxpayer identification number for payroll purposes.

2. Insurance. Tridex agrees to obtain and maintain all necessary insurance, including but not limited to, property, casualty, liability and workers' compensation with respect to the Ribbon Business and the Tridex employees engaged in Ribbon Business operations at Magnetec's facility. Tridex shall provide proof of coverage upon request by Magnetec.

3. Space Provided. Magnetec hereby agrees to provide Tridex up to approximately 2,200 square feet of floor space including, to the extent practicable, manufacturing, stockroom, finished goods warehouse, and shipping and receiving space. Space provided to Tridex shall, to the extent practicable, be clearly marked as separate areas designated for the Ribbon Business.

4. Ribbon Business Products Sold to Magnetec. Tridex agrees to sell Ribbon Business products to Magnetec at prices no higher than ten percent (10%) below the lowest price paid by any other customer of Tridex for the same products. This price is subject to annual adjustment upon the mutual agreement of the parties hereto, with annual increases not to exceed five percent (5%) of then current prices.

5. Manufacturing Support Services Provided by Magnetec.

Magnetec will provide the following services to Tridex for the conduct of the Ribbon Business:

(a) Purchasing and Manufacturing Processing Services: receive at the Magnetec receiving dock materials ordered by Tridex for Ribbon Business operations; generate list of goods received and cross-check against vendor's packing list and Tridex purchase order; spot inspect such materials upon receipt; store materials in the Magnetec stockroom in a separate area designated for the Ribbon Business; move materials to manufacturing area according to manufacturing schedule; and move finished goods to a separate area designated for Ribbon Business finished goods.

(b) Sales Order Processing and Customer Billing Services: promptly after the date hereof, notify all Ribbon Business customers to submit orders to Tridex in care of Magnetec Sales Department; receive and, after acceptance of order by Ribbon Line Supervisor (as defined below), enter customer orders into order processing system, including scheduling shipment date; generate shipping documents; package and prepare finished goods for shipment; ship finished goods and generate invoice on Tridex form.

(c) Accounts Payable Processing Services: promptly after the date hereof, notify Ribbon Business suppliers to submit invoices to Tridex in care of Magnetec Accounts Payable; match suppliers invoices with Tridex purchase orders and receiving department records and enter verified invoices onto accounts payable system; and prepare Tridex checks to suppliers for signature by Tridex authorized signatory. (Tridex will in all cases make the final decision regarding payment of any invoice submitted by a Ribbon Business supplier.)

(d) Payroll Processing Services: maintain Ribbon Business employee files, including hours worked and payroll records. (Using the Tridex employer identification number, Tridex will establish with a third party payroll service provider a separate payroll for all Ribbon Business employees, including the Ribbon Line Supervisor. Tridex will be solely responsible for all Ribbon Business wages, salaries, insurance and other benefits, and all withholding or other taxes due thereon.)

(e) Accounting and Data Processing Services: establish within the Magnetec accounting system separate accounts for all activity of the Ribbon Business; provide Tridex with a monthly trial balance, detailed general ledger and subledgers for all transactions. (All general ledger accounts will be controlled by Tridex. Tridex will provide a Ribbon Business cash receipt journal to Magnetec on a monthly basis to update the accounts receivable on the Ribbon Business records maintained by Magnetec.)

6. Tridex Payment to Magnetec.

(a) Magnetec shall bill Tridex in arrears, as of the last day of Magnetec's accounting month, and Tridex shall pay Magnetec no later than thirty (30) days after the date of the invoice, as compensation for manufacturing support services provided, for Magnetec's overhead attributable to general and administrative expenses (e.g., expenses incurred to provide order processing, customer billing and accounting services), and for Magnetec's fixed employment costs for sales employees, a fixed fee of $11,000 per month.

(b) For other costs incurred and paid by Magnetec on behalf of Tridex which are not included in Section 6(a) but are directly related to the conduct of the Ribbon Business, including but not limited to sales commissions paid on Ribbon Business sales, temporary labor, the direct cost of engineering labor costs, benefits, and manufacturing equipment maintenance and repair, and shipping costs, Tridex shall reimburse Magnetec for the actual cost of such goods or services. Tridex shall reimburse Magnetec for the full cost of such goods or services, when all such goods or services have been or will be used for the Ribbon Business.

7. Goodwill of Common Customers. Magnetec has invested substantial time, effort and expense in developing its goodwill and reputation for providing to its customers quality printer products, including Ribbon Business products, at competitive prices. Magnetec will continue to sell printers to such customers, many of whom are and will be Ribbon Business customers. As a material inducement to Magnetec to enter into this Agreement, Tridex agrees not to take any action during the term of this Agreement which is intended to have, or which would have a reasonable likelihood of having, a material adverse effect on the relationship of Magnetec with its customers or end users of its products.

8. Liabilities; Disclaimer. In furnishing the other party with services as herein provided, Tridex, Magnetec and their respective officers, directors, employees or agents (collectively, "Representatives") shall not be liable to the other party or its respective Representatives, creditors or shareholders for any action or failure to act except willful malfeasance, bad faith or gross negligence in the performance of their duties or reckless disregard of their obligations and duties under the terms of this Agreement. The provisions of this Agreement are for the sole benefit of Tridex, Magnetec and their respective Representatives

and will not, except to the extent otherwise expressly stated herein, inure to the benefit of any third party. Neither Tridex nor Magnetec makes any express or implied warranty or representation with respect to the quality of the services provided hereunder.

9. Term. The term of this Agreement shall begin as of the date hereof and continue for two (2) years, unless terminated sooner. Either Magnetec or Tridex may terminate this Agreement without cause upon ninety (90) days prior written notice.

10. Status of Relationship. Magnetec shall be deemed to be an independent contractor and, except as expressly provided or authorized in this Agreement, shall have no authority to act for or bind Tridex.

11. Notices. All notices, billings, requests, demands, approvals, consents, and other communications which are required or may be given under this Agreement will be in writing and will be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid to the parties at their respective addresses set forth below:

If to Magnetec:

Magnetec Corporation
7 Laser Lane
Wallingford, CT 06492
Attention: Chief Financial Officer

If to Tridex:

Tridex Corporation
61 Wilton Road
Westport, CT 06880
Attention: Chief Financial Officer

12. Confidentiality. Tridex and Magnetec hereby agree to hold, and cause their respective employees, agents and authorized representatives to hold, in strict confidence, all information concerning the other party furnished pursuant to this Agreement.

13. No Third Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and shall not be deemed to confer upon any third party and right, remedy or claim in excess of those existing without reference to this Agreement.

14. Access to Information. During the term of this Agreement and for one (1) year thereafter, Tridex shall afford to Magnetec and its authorized representatives, agents and employees, and Magnetec shall afford to Tridex and its authorized representatives, agents and employees, access during normal business hours to all records, books, contracts and other data,

including but not limited to corporate, financial, accounting, personnel and other business records, related to the Ribbon Business.

15. No Assignment. This Agreement shall not be assignable except with the prior written consent of the other party to this Agreement.

16. Applicable Law. This Agreement shall be governed by and construed under the laws of the State of Connecticut applicable to contracts made and to be performed therein.

17. Section Headings. The section headings used in this Agreement are for convenience of reference only and will not be considered in the interpretation or construction of any of the provisions thereof.

18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

19. Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous agreement between the parties, written or oral (including but not limited to the Original Agreement), which relates to the subject matter hereof. This Agreement may be amended or modified only by a written instrument signed by the parties hereto.

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Manufacturing Support Services Agreement to be executed as a sealed instrument by their duly authorized officers as of the date first above written.

TRIDEX CORPORATION

By: /s/ D.P. Bergeron

Title: VP/CFO

MAGNETEC CORPORATION

By: /s/ Richard L. Cote

Title: Secretary - Treasurer

TRANSACT TECHNOLOGIES INCORPORATED
EXHIBIT 11
COMPUTATION OF EARNINGS PER SHARE
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 27, 1998	June 28, 1997	JUNE 27, 1998	June 28, 1997
NET INCOME	$ 231,000	$1,360,000	$ 865,000	$2,447,000
SHARES:				
Basic - Weighted average common shares outstanding	6,239,000	6,771,000	6,347,000	6,747,000
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	25,000	124,000	47,000	139,000
Dilutive - Weighted average common and common equivalent shares outstanding	6,264,000	6,895,000	6,394,000	6,886,000
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:				
Basic *	$ 0.04	$ 0.20	$ 0.14	$ 0.36
Diluted *	0.04	0.20	0.14	0.36

* Net income per share for the three and six months ended June 28, 1997 have been calculated giving effect to SFAS 128.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TRANSACT
TECHNOLOGIES INCORPORATED QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED
JUNE 27, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-1998
JAN-01-1998
JUN-27-1998
321
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7,506
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0.14