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: September 30, 2003

OR

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

For the transition period from: to:

Commission file number: 0-21121

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

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

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

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

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

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

YES [x] NO [ ]

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

YES [ ] NO [x]

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 NOVEMBER 3, 2003
COMMON STOCK, $.01 PAR VALUE	5,899,468

TRANSACT TECHNOLOGIES INCORPORATED

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ITEM 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)	SEPTEMBER 30, 2003	December 31, 2002
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 480	$ 902
Receivables, net	7,430	4,039
Inventories	8,541	8,435
Refundable income taxes	228	228
Deferred tax assets	1,342	2,221
Other current assets	370	327
Total current assets	18,391	16,152
Fixed assets, net	3,872	3,924
Goodwill, net	1,469	1,469
Deferred tax assets	468	193
Other assets	108	292
	5,917	5,878
Total assets	$ 24,308	$ 22,030
LIABILITIES, MANDITORILY REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Current portion of term loan	$ 90	$ 100
Accounts payable	2,954	2,983
Accrued liabilities	4,022	3,592
Accrued restructuring expenses (Note 5)	622	900
Total current liabilities	7,688	7,575
Revolving bank loan payable	1,909	2,541
Long-term portion of term loan	353	250
Long-term portion of accrued restructuring (Note 5)	485	818
Deferred revenue	693	477
	3,440	4,086
Total liabilities	11,128	11,661
Commitments and contingencies (Note 6)		
Mandatorily redeemable convertible preferred stock	3,883	3,824
Shareholders' equity:		
Common stock	58	57
Additional paid-in capital	7,183	6,308
Retained earnings	2,059	599
Unamortized restricted stock compensation	(44)	(97)
Loan receivable from officer	--	(330)
Accumulated other comprehensive income	41	8
Total shareholders' equity	9,297	6,545
	$ 24,308	$ 22,030

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED SEPTEMBER 30, 2003	2002	NINE MONTHS ENDED SEPTEMBER 30, 2003	2002
Net sales	$ 15,048	$ 8,852	$ 37,438	$ 30,298
Cost of sales	10,229	6,550	25,966	22,258
Gross profit	4,819	2,302	11,472	8,040
Operating expenses:				
Engineering, design and product development expenses	550	458	1,657	1,508
Selling and marketing expenses	1,194	952	3,502	3,077
General and administrative expenses	1,098	1,020	3,316	3,304
Business consolidation and restructuring expenses (Note 5)	--	912	--	958
	2,842	3,342	8,475	8,847
Operating income (loss)	1,977	(1,040)	2,997	(807)
Other income (expense):				
Interest, net	(61)	(59)	(183)	(148)
Write-off of deferred financing costs	(103)	--	(103)	--
Other, net	(32)	(9)	(58)	96
	(196)	(68)	(344)	(52)
Income (loss) before income taxes	1,781	(1,108)	2,653	(859)
Income tax provision (benefit)	641	(399)	924	(310)
Net income (loss)	1,140	(709)	1,729	(549)
Dividends and accretion charges on preferred stock	(90)	(90)	(269)	(269)
Net income (loss) available to common shareholders	$ 1,050	$ (799)	$ 1,460	$ (818)
Net income (loss) per share:				
Basic	$ 0.18	$ (0.14)	$ 0.25	$ (0.15)
Diluted	$ 0.17	$ (0.14)	$ 0.24	$ (0.15)
Shares used in per share calculation:				
Basic	5,830	5,645	5,748	5,625
Diluted	6,321	5,645	6,057	5,625

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

(In thousands)	NINE MONTHS ENDED SEPTEMBER 30, 2003	2002
Cash flows from operating activities:		
Net income (loss)	$ 1,729	$ (549)
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash compensation expense	53	158
Write-off of deferred financing costs	103	--
Depreciation and amortization	1,278	1,520
Deferred income taxes	879	730
Gain on disposal of equipment	(1)	--
Changes in operating assets and liabilities:		
Receivables	(3,391)	(40)
Inventories	(106)	2,672
Refundable income taxes	--	(1,065)
Other current assets	(43)	(140)
Other assets	11	(25)
Accounts payable	(29)	(1,057)
Accrued liabilities and other liabilities	646	777
Accrued restructuring expenses	(611)	(994)
Net cash provided by operating activities	518	1,987
Cash flows from investing activities:		
Purchases of fixed assets	(1,156)	(374)
Proceeds from sale of fixed assets	1	--
Repayment of loan receivable from officer	330	--
Net cash used in investing activities	(825)	(374)
Cash flows from financing activities:		
Revolving bank loan repayments, net	(632)	(1,342)
Term loan borrowings	450	--
Term loan repayments	(357)	(75)
Proceeds from option exercises	601	121
Payment of cash dividends on preferred stock	(210)	(210)
Net cash used in financing activities	(148)	(1,506)
Effect of exchange rate changes on cash	33	71
(Decrease) increase in cash and cash equivalents	(422)	178
Cash and cash equivalents at beginning of period	902	417
Cash and cash equivalents at end of period	$ 480	$ 595

See notes to consolidated condensed financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. TransAct Technologies Incorporated ("TransAct" or the "Company"), through 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, the Company markets related consumables, spare parts and service. The Company's printers are used worldwide to provide transaction records such as receipts, tickets, coupons, register journals and other documents. The Company focuses on two core markets: point-of-sale ("POS") and gaming and lottery. The Company sells its products to original equipment manufacturers ("OEMs"), value-added resellers, selected distributors and directly to end-users. The Company's product distribution spans across the Americas, Europe, the Middle East, Africa, the Caribbean Islands and the South Pacific.

In the opinion of TransAct Technologies Incorporated (the "Company"), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly its financial position as of September 30, 2003, the results of its operations for the three and nine months ended September 30, 2003 and 2002, and its cash flows for the nine months ended September 30, 2003 and 2002. The December 31, 2002 consolidated condensed 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, 2002 included in the Company's Annual Report on Form 10-K.

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

The results of operations for the three and nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year.

2. Earnings per share

Basic earnings per common share for the three and nine months ended September 30, 2003 and 2002 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 and nine months ended September 30, 2002, the effects of potential dilutive securities have been excluded, as they would have been anti-dilutive. The outstanding stock options, warrants and convertible mandatorily redeemable preferred stock that were excluded from the diluted earnings per share calculation would entitle holders to acquire 444,000 and 1,336,000 shares of common stock as of September 30, 2003 and 2002, respectively.

3. Inventories:

The components of inventory are:

(In thousands)	September 30, 2003	December 31, 2002
Raw materials and component parts	$ 8,465	$ 8,339
Work-in-process	--	1
Finished goods	76	95
	$ 8,541	$ 8,435

4. New credit facility

On August 6, 2003, the Company entered into a new $12.5 million credit facility (the "Banknorth Credit Facility") with Banknorth N.A. The Banknorth Credit Facility replaced the Company's prior 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 prime rate plus 0.25%. 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 plus 2.75% and 3.0% under the revolving credit facility and the equipment loan facility, respectively. In addition, the Company 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. The Company also pays 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 the Banknorth Facility is based on the lesser of $11.5 million and (i) 85% of eligible accounts receivable plus (ii) the lesser of (a) $5,500,000 and (b) 45% of eligible raw material inventory plus 50% of eligible finished goods inventory, less (iii) a $1,000,000 reserve pending the determination of the Patent Resolution Payment (see Note 6) and less (iv) a $40,000 credit reserve.

Concurrent with the signing of the Banknorth Credit Facility, the Company borrowed $450,000 under the equipment loan facility. Principal payments for any borrowings under the equipment loan facility are 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.

Concurrent with the signing of the Banknorth Credit Facility, the Company recorded a charge of approximately $103,000 in the third quarter of 2003 related to the write-off of unamortized deferred financing costs from the prior credit facility with LaSalle.

As of September 30, 2003, the Company had $1,909,000 and $443,000 outstanding on the revolving credit line and term loan, respectively. Undrawn commitments under the Banknorth Credit Facility were approximately $9,591,000 at September 30, 2003. However, the Company's maximum additional available borrowings under the facility were limited to approximately $5,800,000 at September 30, 2003 based on the borrowing base of the Company's collateral. Annual principal payments on the term loan are $90,000.

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 a small component production line and service depot in Wallingford. The closing of the Wallingford facility resulted in the termination of employment of approximately 70 production, administrative and management employees. The Company had 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.

Since 2001, the Company has incurred approximately $5.1 million of 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.

The following table summarizes the activity recorded in the restructuring accrual during the three and nine months ended September 30, 2003 and 2002.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2003	2002	2003	2002
Accrual balance, beginning of period	$ 1,226	$ 1,595	$ 1,718	$ 3,002
Business consolidation and restructuring expenses	--	912	--	958
Cash payments	(119)	(499)	(611)	(1,952)
Accrual balance, end of period	$ 1,107	$ 2,008	$ 1,107	$ 2,008

Approximately $485,000 and $818,000 of the restructuring accrual were classified as long-term at September 30, 2003 and December 31, 2002, respectively. These amounts represent the portion of non-cancelable lease termination costs and other costs expected to be paid beyond one year. The accrual at September 30, 2003 includes estimated non-cancelable lease payments and other related costs through approximately September 30, 2004.

6. Contingent liabilities

In November 2002, the Company was advised that certain POS printers sold by the Company since late 1999 may use technology covered by recently issued patents of a significant and well-funded competitor. The Company is analyzing the cited patents for validity and applicability to the Company's products. In an effort to resolve this matter, the Company has offered to pay approximately $160,000 related to past usage, while the other party seeks payment of up to $950,000 (the "Patent Resolution Payment"). Discussions with the other party are ongoing, and the outcome is uncertain. While the outcome of the Company's patent analysis and discussions cannot be predicted, the Company recognized a charge of $160,000 in cost of sales in the fourth quarter of 2002. This charge represents what the Company believes to be a fair and reasonable payment for past sales of such printers. During the three and nine months ended September 30, 2003, the Company recognized additional charges in cost of sales to reflect the potential payment for printers sold during these periods that may use technology covered by the competitor's patents.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

7. Accrued product warranty liability

The following table summarizes the activity recorded in the accrued product warranty liability during the three and nine months ended September 30, 2003 and 2002.

(In thousands)	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
Balance, beginning of period	$ 601	$ 754	$ 644	$ 710
Additions related to warranties issued	125	99	320	379
Warranty costs incurred	(166)	(116)	(404)	(352)
Balance, end of period	$ 560	$ 737	$ 560	$ 737

8. Accounting for Stock-Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for its 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. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). The Company has recorded stock-based compensation expense related to restricted stock grants ratably over the vesting period.

In December 2002, the FASB issued Statement of Financial Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FAS 123" ("FAS 148"). FAS 148 provides additional transition guidance for those entities that elect to voluntarily adopt the accounting provisions of FAS 123, Accounting for Stock-Based Compensation. FAS 148 also mandates certain new disclosures that are incremental to those required by FAS 123. The provisions of FAS 148 are effective for fiscal years ending after December 15, 2002. The Company adopted the disclosure provisions of FAS 148 during the fourth quarter of 2002.

8. Accounting for Stock-Based Compensation (continued)

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, "Accounting for Stock-Based Compensation" had been applied to the Company's stock plans.

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
(In thousands, except per share data)				
Net loss available to common shareholders:				
Net income (loss), as reported	$ 1,140	$ (709)	$ 1,729	$ (549)
Add: Stock-based compensation expense included in reported net income, net of tax	9	24	35	101
Deduct: Stock-based compensation expense determined under fair value based method for all awards, net of tax	(152)	(169)	(467)	(455)
Pro forma net income (loss)	997	(854)	1,297	(903)
Dividends and accretion charges on preferred stock	(90)	(90)	(269)	(269)
Pro forma net income (loss) available to common shareholders	$ 907	$ (944)	$ 1,028	$ (1,172)
Net income (loss) per share:				
Basic:				
As reported	$ 0.18	$ (0.14)	$ 0.25	$ (0.15)
Pro forma	$ 0.16	$ (0.17)	$ 0.18	$ (0.21)
Diluted:				
As reported	$ 0.17	$ (0.14)	$ 0.24	$ (0.15)
Pro forma	$ 0.14	$ (0.17)	$ 0.17	$ (0.21)

9. Significant transactions

On July 8, 2003, the holders of the Series B Cumulative Convertible Redeemable Preferred Stock, Advance Capital Advisors, L.P., exercised their 44,444 warrants to purchase common stock at $9 per share. In lieu of cash consideration, the Company canceled 31,821 of their warrants in exchange for the issuance of 12,623 shares of common stock.

During the three and nine months ended September 30, 2003, the Company received cash proceeds of approximately $49,000 and $601,000 from the issuance of approximately 9,000 and 119,000 shares of common stock from employee stock option exercises. The Company also recorded a deferred tax asset of approximately $24,000 and $273,000 in the three and nine months ended September 30, 2003, respectively, resulting from Company tax deductions related to the sale of employee stock from these stock option exercises.

10. Recent accounting pronouncements

In May 2003, the FASB issued Statement of Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FAS 150"). FAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, including mandatorily redeemable instruments, by now requiring those instruments to be classified as liabilities in the statement of financial position. Further, FAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of FAS 150 did not have a material impact on the Company's financial statements.

In November 2002, the Emerging Issues Task Force (EITF) issued EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." This issue addresses revenue recognition for arrangements with multiple deliverables which should be considered as separate units of accounting if the deliverables meet certain criteria as described in EITF 00-21. This issue is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF No. 00-21 did not have a material impact on the Company's financial statements.

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 into the marketplace by competitors; successful product development; dependence on significant customers, including GTECH Corporation; dependence on third parties for sales in Europe and Latin America; economic and political conditions in the United States, Europe and Latin America; marketplace acceptance of our new products; risks associated with foreign operations; risks associated with the determination of payments to a competitor that has advised us that certain of our printers may use the competitor's patents; our ability to successfully sublease our facility in Wallingford, CT; 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 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 we assume no duty to update them to reflect new, changing or unanticipated events or circumstances.

PLANT CONSOLIDATION

In February 2001, we announced plans to establish a global engineering and manufacturing center at our Ithaca, NY facility. As part of this strategic decision, we undertook a plan to consolidate all manufacturing and engineering into our existing Ithaca, NY facility and close our Wallingford, CT facility (the "Consolidation"). Our technology shift to inkjet and thermal printing from dot matrix impact printing has dramatically reduced the labor content in our printers, and therefore, lowers the required production capacity. As of December 31, 2001, we successfully transferred substantially all our Wallingford product lines to Ithaca, NY, with the exception of a small production line and service depot that remains in Connecticut. The closing of the Wallingford facility resulted in the termination of employment of approximately 70 production, administrative and management employees.

Through December 31, 2002, we recognized approximately $5.1 million of non-recurring costs associated with the Consolidation, including severance pay, stay bonuses, employee benefits, moving expenses, non-cancelable lease payments, and other costs, of which approximately $1.0 million and $4.1 million was recognized in 2002 and 2001, respectively. See the "Liquidity and Capital Resources" section for a discussion of the expected impact of the Consolidation on our future results of operations and cash flows.

As a result of the Consolidation, we realized improved gross margins and lower operating expenses in 2002, and lowered our operating income breakeven point from $54 million to approximately $42 million in sales (based on our current sales mix and operating expense level), which we believe will provide us with substantial operating leverage for the reasonably foreseeable future.

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 of Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Accounting Policies," included in our Form 10-K for the year ended December 31, 2002.

RESULTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2002

NET SALES. Net sales by market for the current and prior year's quarter in dollars and as a percentage of total net sales were as follows:

(In thousands, except %)	Three months ended September 30, 2003		Three months ended September 30, 2002	
Point of sale	$ 6,053	40.2%	$4,607	52.0%
Gaming and lottery	8,995	59.8	4,245	48.0
	$15,048	100.0%	$8,852	100.0%
International	$ 1,116	7.4%	$1,501	17.0%

Net sales for the third quarter of 2003 increased $6,196,000, or 70%, from the prior year's third quarter due to significantly higher shipments into the gaming and lottery market, as well as increased shipments into our point of sale ("POS") market. Overall, international sales decreased by $385,000, or 26%.

POINT OF SALE:

Sales of our POS products worldwide increased by approximately $1,446,000, or 31% from the same period last year. Domestic POS revenue increased to $5,003,000, representing a $1,704,000, or 52%, increase from the third quarter of 2002, 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 282% in the third quarter of 2003 compared to the third quarter of 2002. The increase is largely attributable to (1) shipments of our Bankjet(R)line of inkjet printers to two major financial services companies to upgrade bank teller stations (2) increased shipments of our POSjet(R)line of inkjet printers, including shipments to one of the world's largest casual dining restaurant chains for use in their food and beverage service operations, and (3) higher service, spare parts and consumables revenue.

International POS printer shipments decreased by approximately $258,000, or 20%, to $1,050,000, due primarily to lower sales of our thermal fiscal printers in Europe (approximately $450,000). Sales of such printers are principally project-oriented, and we cannot predict if and when future sales may occur. Lower thermal fiscal printer sales were somewhat offset by higher sales (approximately $200,000) through our expanding network of international distributors and higher service, spare parts and consumables revenue.

Sales of our products into the POS market are typically lower in the fourth quarter as compared to the third quarter since retailers typically reduce purchases of new POS equipment in the fourth quarter due to increased volume of consumer transactions in that period related to the holiday season. However, we expect sales into the POS market for the fourth quarter of 2003 to be consistent with those reported for the third quarter of 2003 and higher than those reported in the fourth quarter of 2002, 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 continue to increase in 2004.

GAMING AND LOTTERY:

Sales of our gaming and lottery products increased by $4,750,000, or 112%, from the third quarter a year ago, primarily due to significantly higher shipments of on-line lottery printers to GTECH and higher shipments of our slot machine printers.

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 $2,900,000 to approximately $4,700,000, or 31% of net sales, in the third quarter of 2003, compared to $1,800,000, or 20% of net sales, in the third quarter of 2002.

Shipments of on-line lottery printers (which include impact and thermal printers) and spare parts revenue increased by $2,900,000 to approximately $4,700,000 in the third 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 $7.9 million of these thermal printers, of which we expect to ship the remaining approximately $500,000 in the fourth quarter of 2003. We anticipate receiving orders from GTECH during the fourth quarter of 2003 for additional thermal on-line lottery printers for delivery in 2004. We made no in-lane lottery printer shipments in the third quarter of 2003 or 2002. 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.

Sales of our gaming printers, which include video lottery terminal ("VLT") printers and slot machine printers used in casinos and racetracks ("racinos"), and related spare parts and repairs, increased by approximately $1,900,000 to $4,300,000. 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 dropping coins ("ticket-in, ticket-out"). Based on existing orders and sales opportunities, we expect sales of our gaming printers to continue to increase during the remainder of 2003, and more significantly in 2004, as more casinos are expected to convert to ticket-in, ticket-out slot machines and as a result of the racino initiative in the state of New York and other jurisdictions.

International sales into the gaming and lottery market decreased $127,000, or 66%, to $66,000 in the third quarter of 2003. Although we expect international sales into the gaming and lottery market to remain relatively flat in the fourth quarter of 2004 compared to the third quarter of 2003, we expect moderate growth in these sales during 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 $2,517,000, or 109%, and gross margin increased to 32.0% from 26.0%, 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 third quarter of 2003 compared to the third quarter of 2002. We expect gross margin for the fourth quarter of 2003 to be approximately the same as that reported for the first nine months of 2003.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased by $92,000, or 20%, due primarily to higher compensation related expenses. Such expenses decreased as a percentage of net sales to 3.7% from 5.2%, due primarily to a higher volume of sales in the third quarter of 2003 compared to the third quarter of 2002.

SELLING AND MARKETING. Selling and marketing expenses increased by $242,000, or 25%, due primarily to higher (1) sales commissions resulting from higher sales in the third quarter of 2003 compared to the third quarter of 2002 (approximately $80,000), (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 $80,000) and (3) marketing expenses (approximately $50,000). Selling and marketing expenses decreased as a percentage of net sales to 7.9% from 10.8%, due primarily to higher volume of sales in the third quarter of 2003 compared to the third quarter of 2002.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased by $78,000, or 8%, due largely to higher legal expense related to expanding our patent portfolio and the Patent Resolution Payment (as more fully described in Note 6). General and administrative expenses decreased as a percentage of net sales to 7.3% from 11.5% due primarily to a higher volume of sales in the third quarter of 2003 compared to the third quarter of 2002.

BUSINESS CONSOLIDATION AND RESTRUCTURING. During the third quarter of 2002, we incurred $912,000 of expenses related to the Consolidation. Approximately $900,000 of these expenses were the result of a revision of our estimate for non-cancelable lease payments included in the restructuring accrual. Based on regional softness in demand in the commercial real estate market, we increased our restructuring accrual by $900,000 to reflect the longer period of time projected to sublease our Wallingford, CT facility. The accrual now includes estimated non-cancelable lease payments and other related costs through approximately September 30, 2004. See Note 5 to the Consolidated Condensed Financial Statements.

OPERATING INCOME (LOSS). During the third quarter of 2003 we reported operating income of $1,977,000, or 13.1% of net sales, compared to an operating loss of ($1,040,000), or (11.8%) of net sales in the third quarter of 2002. 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 third quarter of 2003 compared to 2002. Although sales increased by 70% in the third quarter of 2003 compared to the third quarter of 2002, operating expenses (excluding restructuring expenses) only increased by 17%, which provided substantial operating leverage in third quarter of 2003 that we expect to continue into the fourth quarter of 2003 and 2004. The third quarter 2002 results were also adversely impacted by a charge of $912,000 related to the Consolidation.

INTEREST. Net interest expense increased slightly to $61,000 from $59,000 in the third quarter of 2002. Average revolving borrowings and average interest rates were approximately the same in the third quarter of 2003 compared to the third quarter of 2002. We expect revolving borrowings to decrease from $1,909,000 at September 30, 2003 to approximately $1 million by the end of 2003, as we continue to generate cash from operations in the fourth quarter of 2003. As a result, we expect interest expense to decrease slightly in the fourth quarter of 2003 compared to the third quarter of 2003. See "Liquidity and Capital Resources" below for more information.

WRITE-OFF OF DEFERRED FINANCING COSTS. In August 2003, we entered into a new credit facility with Banknorth N.A, which replaced an existing facility with LaSalle Business Credit, Inc ("LaSalle"). We recorded a charge of approximately $103,000 in the third quarter of 2003 related to the write-off of unamortized deferred financing costs from our prior credit facility with LaSalle Business Credit. Our new credit facility with Banknorth contains more favorable terms than those contained in our prior facility with LaSalle, which we believe will result in significant costs savings during the term of the new credit facility.

OTHER EXPENSE. Other expense for the third quarter of 2003 and 2002 primarily includes transaction exchange loss recorded by our UK subsidiary. Such expense increased in the third quarter of 2003 compared to the third quarter of 2002 due to the continued strengthening of the British pound against the dollar.

INCOME TAXES. We recorded an income tax provision of $641,000 in the third quarter of 2003 and an income tax benefit of $399,000 in the third quarter of 2002, both at an effective rate of 36%.

NET INCOME (LOSS). We reported net income during the third quarter of 2003 of $1,140,000, or $0.17 per share (diluted) after giving effect to $90,000 of dividends and accretion charges on preferred stock. This compares to a net loss of ($709,000), or ($0.14) per share (diluted) for the third quarter of 2002, after giving effect to $90,000 of dividends and accretion charges on preferred stock. In the future, dividends and accretion charges on preferred stock will be approximately $90,000 per quarter, assuming no conversion or redemption of the preferred stock.

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2002

NET SALES. Net sales by market for the current and prior year's nine month period in dollars and as a percentage of total net sales were as follows:

(In thousands, except %)	Nine months ended September 30, 2003		Nine months ended September 30, 2002	
Point of sale	$15,192	40.6%	$13,741	45.4%
Gaming and lottery	22,246	59.4	16,557	54.6
	$37,438	100.0%	$30,298	100.0%
International	$ 3,500	9.3%	$ 3,585	11.8%

Net sales for the first nine months of 2003 increased $7,140,000, or 24%, from the prior year's first nine months due to higher shipments into both the POS and gaming and lottery market. Overall, international sales decreased slightly by $85,000, or 2%.

POINT OF SALE:

Sales of our POS products worldwide increased by approximately $1,451,000, or 11%, from the same period last year. Domestic POS revenue increased $1,677,000, or 16%, to $12,153,000 in the first nine months of 2003, led by significantly higher sales of our POSjet(R)and Bankjet(R)lines of inkjet printers. The increase is largely attributable to (1) shipments of our Bankjet(R)line of inkjet printers to two major financial services companies to upgrade bank teller stations, (2) increased shipments of our POSjet(R)line of inkjet printers, including shipments to one of the world's largest casual dining restaurant chains for use in their food and beverage service operations, and (3) higher service, spare parts and consumables revenue.

International POS printer shipments decreased by approximately $226,000, or 7%, to $3,039,000, due primarily to lower sales of our thermal fiscal printers in Europe (approximately $700,000). Sales of such printers are principally project-oriented, and we cannot predict if and when future sales may occur. Lower thermal fiscal printer sales were somewhat offset by higher sales (approximately $500,000) through our expanding network of international distributors and higher service, spare parts and consumables revenue.

Sales of our products into the POS market are typically lower in the fourth quarter as compared to the third quarter since retailers typically reduce purchases of new POS equipment in the fourth quarter due to increased volume of consumer transactions in that period related to the holiday season. However, we expect sales into the POS market for the fourth quarter of 2003 to be consistent with those reported for the third quarter of 2003 and higher than those reported in the fourth quarter of 2002, 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 resume increasing in 2004.

GAMING AND LOTTERY:

Sales of our gaming and lottery printers increased by $5,689,000, or 34%, from the first nine months of 2002, primarily due to significantly higher shipments of our slot machine printers, somewhat offset by lower printer shipments of lottery printers to GTECH.

Sales of our gaming printers, which include VLT printers and slot machine printers used in casinos and racetracks ("racinos"), and related spare parts and repairs, increased by approximately $6,600,000 to $13,400,000. 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 dropping coins ("ticket-in, ticket-out"). Based on existing orders and sales opportunities, we expect sales of our gaming printers to continue to increase during the remainder of 2003, and more significantly in 2004, as more casinos are expected to convert to ticket-in, ticket-out slot machines and as a result of the racino initiative in the state of New York and other jurisdictions.

Total sales to GTECH, which included impact and thermal on-line lottery printers, impact in-lane lottery printers, and spare parts revenue, decreased by $900,000 to approximately $8,850,000 in the first nine months of 2003.

Shipments of on-line lottery printers (which include impact and thermal printers) and spare parts revenue decreased by $200,000 to approximately $8,850,000 in the nine months of 2003. Shipments of in-lane lottery printers totaled approximately $700,000 in the first nine months of 2002. We made no in-lane lottery printer shipments in first nine months 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 $7.9 million of these thermal printers, of which we expect to ship the remaining approximately $500,000 in the fourth quarter of 2003. We anticipate receiving orders from GTECH during the fourth quarter of 2003 for additional thermal on-line lottery printers for delivery in 2004. We currently have no orders for our impact on-line lottery printers. Due to the project-by-project nature of sales of our 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 %)	Nine months ended September 30, 2003	Nine months ended September 30, 2002
On-line lottery printers and spare parts	$8,850	$9,050
In-lane lottery printers	--	700
	$8,850	$9,750
% of consolidated net sales	24%	32%

International sales into the gaming and lottery market increased $141,000, or 44%, to $461,000 in the first nine months of 2003. This increase is 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). Although we expect international sales into the gaming and lottery market to remain relatively flat in the fourth quarter of 2003 compared to the third quarter of 2003, we expect moderate growth in these sales during 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 $3,432,000, or 43%, and gross margin increased to 30.6% from 26.5%, due primarily to higher volume of sales and a more favorable sales mix, including increased sales of higher margin gaming and lottery printers, primarily in the second and third quarters of 2003 compared to the second and third quarters of 2002. We expect gross margin for the fourth quarter of 2003 to be approximately the same as that reported for the first nine months of 2003.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased by $149,000, or 10%, due primarily to higher compensation related expenses (approximately $80,000) and higher expenses (including travel) related to the development of our new thermal on-line lottery printer for GTECH and our iTherm(TM)280 thermal POS printer primarily in the first half of 2003 (approximately $60,000). Such expenses decreased as a percentage of net sales to 4.4% from 5.0%, due primarily to a higher volume of sales in the first nine months of 2003 compared to the same prior year period.

SELLING AND MARKETING. Selling and marketing expenses increased by $425,000, or 14% due primarily to higher (1) sales commissions resulting from higher sales in the first nine months of 2003 compared to the first nine months of 2002 (approximately $180,000), (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 $140,000), and (3) selling expenses at our UK facility due largely to the unfavorable impact of exchange rates in the period (approximately $70,000) and (4) marketing expenses (approximately $30,000). Selling and marketing expenses decreased as a percentage of net sales to 9.4% from 10.1%, due primarily to higher volume of sales in the first nine months of 2003 compared to the first nine months of 2002.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased slightly by $12,000, or less than 1%. We incurred higher legal expenses (approximately $190,000) related to our growing patent portfolio and the Patent Resolution Payment that were almost entirely offset by staff reductions resulting from the Consolidation (approximately $180,000). General and administrative expenses decreased as a percentage of net sales to 8.9% from 10.9% due primarily to a higher volume of sales in the first nine months of 2003 compared to the first nine months of 2002.

BUSINESS CONSOLIDATION AND RESTRUCTURING. During the first nine months of 2002, we incurred $958,000 of expenses related to the Consolidation. Approximately $900,000 of these expenses were the result of a revision of our estimate for non-cancelable lease payments included in the restructuring accrual. Based on regional softness in demand in the commercial real estate market, we increased our restructuring accrual by $900,000 to reflect the longer period of time projected to sublease our Wallingford, CT facility. The accrual now includes estimated non-cancelable lease payments and other related costs through approximately September 30, 2004. See Note 5 to the Consolidated Condensed Financial Statements.

OPERATING INCOME (LOSS). During the first nine months of 2003 we reported operating income of $2,997,000, or 8.0% of net sales, compared to an operating loss of ($807,000), or (2.7%) of net sales in the first nine months of 2002. The significant increase in our operating income was due largely to higher gross profit on higher sales, partially offset by higher operating expenses (primarily selling and marketing expenses) in the first nine months of 2003 compared to 2002. Although sales increased by 24% from the first nine months of 2003 compared to the first nine months of 2002, operating expenses (excluding restructuring expenses) only increased by 7%, which provided substantial operating leverage in the first nine months of 2003 that we expect to continue into the fourth quarter of 2003 and 2004. The results for the first nine months of 2002 were also adversely impacted by a charge of $958,000 related to the Consolidation.

INTEREST. Net interest expense increased to $183,000 from $148,000 in the first nine months of 2002 due largely to higher average revolving borrowings, partially offset by lower interest rates. Average revolving borrowings were unusually low in the first nine months of 2002 as a result of the receipt of an advance payment of approximately $5.8 million from a major customer in advance of printer shipments, the proceeds of which were used to repay outstanding revolving borrowings in 2002. We expect revolving borrowings to decrease from $1,909,000 at September 30, 2003 to approximately $1 million by the end of 2003, as we continue to generate cash from operation in the fourth quarter of 2003. As a result, we expect interest expense to decrease slightly in the fourth quarter of 2003 compared to the third quarter of 2003. See "Liquidity and Capital Resources" below for more information.

WRITE-OFF OF DEFERRED FINANCING COSTS. In August 2003, we entered into a new credit facility with Banknorth N.A, which replaced an existing facility with LaSalle Business Credit, Inc ("LaSalle"). We recorded a charge of approximately $103,000 in the third quarter of 2003 related to the write-off of unamortized deferred financing costs from our prior credit facility with LaSalle Business Credit. Our new credit facility with Banknorth contains more favorable terms than those contained in our prior facility with LaSalle, which we believe will result in significant costs savings during the term of the new credit facility.

OTHER INCOME (EXPENSE). Other expense for the first nine months of 2003 primarily includes transaction exchange loss recorded by our UK subsidiary. Other income for the first nine months of 2002 includes a one-time gain of $145,000 resulting from the receipt of 2,146 shares of common stock from our former health insurance company, Anthem, Inc., upon its demutualization. This gain was partially offset by approximately $50,000 of transaction exchange loss recorded by our UK subsidiary in the period, due to the strengthening of the British pound against the dollar.

INCOME TAXES. We recorded an income tax provision of $924,000 in the first nine months of 2003 at an effective rate of 34.8%, and an income tax benefit of $310,000 at in effective rate of 36% in the first nine months 2002. The lower effective rate in the 2003 period reflects a favorable outcome of a state tax audit.

NET INCOME (LOSS). We reported net income during the first nine months of 2003 of $1,729,000, or $0.24 per share (diluted) after giving effect to $269,000 of dividends and accretion charges on preferred stock. This compares to a net loss of ($549,000), or ($0.15) per share (diluted) for the first nine months of 2002, after giving effect to $269,000 of dividends and accretion charges on preferred stock. In the future, dividends and accretion charges on preferred stock will be approximately $90,000 per quarter, assuming no conversion or redemption of the preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Cash provided by operating activities: We generated cash from operations of $518,000 and $1,987,000 in the first nine months of 2003 and 2002, respectively. During the first nine months of 2003, we reported net income of $1,729,000 compared to a net loss of ($549,000) in the same period of 2002. Depreciation and amortization (including non-cash compensation expense) totaled $1,434,000 compared to $1,678,000 in the same period of 2002. Deferred income taxes decreased by $879,000 from year-end substantially due to an increase in the provision for income taxes in the period. Accounts payable were essentially flat from year-end. We expect accounts payable to remain at approximately the same level in the fourth quarter of 2003 as in the third quarter of 2003. Accrued liabilities and other liabilities, excluding accrued restructuring, increased by $646,000, primarily due to an increase in deferred revenue on an extended warranty contract with a certain customer.

Cash used in operating activities: Offsetting the activities providing cash in the first nine months of 2003 were the following: receivables increased by approximately $3,391,000 from year-end, due largely to an increase in volume of sales compared to the prior period. Inventories increased by only approximately $106,000, despite a significant increase in sales volume in 2003 compared to 2002. We expect inventories at the end of the fourth quarter of 2003 to be approximately the same as those reported at the end of the third quarter of 2003. The restructuring accrual decreased by $611,000, representing lease payments for the Wallingford Facility, and to a lesser extent, payouts for severance pay and related benefits. (See "Consolidation Expenses" below.)

Investing activities: We used approximately $825,000 of cash from investing activities in the first nine months of 2003 compared to using $374,000 in the same period of 2002. Our capital expenditures were approximately $1,156,000 and $374,000 in the first nine months of 2003 and 2002, respectively. These expenditures in 2003 primarily included new product tooling (largely for our new thermal on-line lottery printer for GTECH and our newly-introduced iTherm(TM)280 thermal POS printer), and to a lesser extent, computer equipment. We expect capital expenditures for 2003 to be approximately $1,400,000, primarily for tooling for our new thermal lottery printer for GTECH and the POS market, and other new products. During the second quarter of 2003, we received cash proceeds of $330,000, plus accrued interest, from an officer of the Company in repayment of an outstanding loan.

Financing activities: Financing activities used $148,000 during the first nine months of 2003, largely due to net repayments under our revolving credit facility (approximately $632,000) and payments of cash dividends on our preferred stock (approximately $210,000), largely offset by proceeds from stock option exercises (approximately $601,000) and net term loan borrowings (approximately $93,000). Financing activities used $1,506,000 during the first nine months of 2002, largely due to repayment of borrowings under our revolving credit line as a result of the receipt of an advanced payment of approximately $5,824,000 from a customer in the first quarter of 2002.

WORKING CAPITAL

Our working capital increased to $10,703,000 at September 30, 2003 from $8,577,000 at December 31, 2002. The current ratio also increased to 2.39 to 1 at September 30, 2003 from 2.13 to 1 at December 31, 2002. The increase in both working capital and the current ratio was largely due largely to higher receivables ($3,391,000) somewhat offset by lower cash and cash equivalents ($422,000) and lower deferred tax assets ($879,000) compared to December 31, 2002.

DEFERRED TAXES

As of September 30, 2003, we had a net deferred tax asset of approximately $1,810,000. In order to utilize this deferred tax asset, we will need to generate approximately $5.0 million of taxable income in future years. Based on future financial projections, 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, we were advised that certain POS printers sold by us since late 1999 may use technology covered by recently issued patents of a significant and well-funded competitor. We are analyzing the cited patents for validity and applicability to our products. In an effort to resolve this matter, we have offered to pay approximately $160,000 related to past usage, while the other party seeks payment of up to $950,000 (the "Patent Resolution Payment"). Discussions with the other party are ongoing, and the outcome is uncertain. While the outcome of our patent analysis and discussions cannot be predicted, we recognized a charge of $160,000 in cost of sales in the fourth quarter of 2002. This charge represents what we believe to be a fair and reasonable payment for past sales of such printers. During the three and nine months ended September 30, 2003, we recognized additional charges in cost of sales to reflect the potential payment for printers sold during these periods that may use technology covered by the competitor's patents.

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 (see Note 6) 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 are 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.

We recorded a charge of approximately $103,000 in the third quarter of 2003 related to the write-off of unamortized deferred financing costs from our prior credit facility with LaSalle. Our new credit facility with Banknorth contains more favorable terms than those contained in our prior facility with LaSalle, which we believe will result in significant costs savings during the term of the new credit facility.

As of September 30, 2003, we had $1,909,000 and $443,000 outstanding on the revolving credit line and term loan, respectively. Undrawn commitments under the Banknorth Credit Facility were approximately $9,591,000 at September 30, 2003. However, our maximum additional available borrowings under the facility were limited to approximately $5,800,000 at September 30, 2003 based on the borrowing base of our collateral. Annual principal payments on the term loan are $90,000.

PREFERRED STOCK

In connection with our 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock"), we paid $270,000 of cash dividends to Advance Capital Advisors, L.P. in the first nine months of 2003 and 2002, and expect to pay $70,000 per quarter for the remainder of 2003. We also record non-cash accretion of approximately $20,000 per quarter related to preferred stock warrants and issuance costs. The preferred stock is convertible at any time by the holders at a conversion price of $9.00 per common share. 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.

Upon a change of control, as defined, holders have the right to redeem the Preferred Stock for an aggregate of $8,000,000 plus any unpaid dividends.

In 2002, we issued to the Preferred Stock holders warrants to purchase an aggregate of 44,444 shares of our common stock at an exercise price of $9.00 per common share. On July 8, 2003, the holders exercised their 44,444 warrants. In lieu of cash consideration, we canceled 31,821 of their warrants in exchange for the issuance of 12,623 shares of common stock.

SHAREHOLDERS' EQUITY

Shareholders' equity increased by $2,752,000 to $9,297,000 at September 30, 2003 from $6,545,000 at December 31, 2002. The increase was primarily due to the following for the nine months ended September 30, 2003: (1) net income available to common shareholders of $1,460,000, (2) the repayment by an officer of an outstanding loan of $330,000, (3) proceeds of approximately $601,000 from the issuance of approximately 119,000 shares of common stock from employee stock option exercises and (4) an increase in additional paid in capital of approximately $273,000 resulting from the recording of a deferred tax asset from the sale of employee stock from stock option exercises.

CONSOLIDATION EXPENSES

Through December 31, 2002, we incurred approximately $5.1 million of non-recurring costs associated with the Consolidation, including severance pay, stay bonuses, employee benefits, moving expenses, non-cancelable lease payments, and other costs, of which approximately $1.0 million and $4.1 million was recognized in 2002 and 2001, respectively.

Accrued restructuring expenses related to the Consolidation totaled $1,107,000 at September 30, 2003, and include remaining severance pay, and estimated non-cancelable lease payments and other related costs through approximately September 30, 2004. We paid approximately $611,000 and $1,952,000 of Consolidation expenses in the first nine months of 2003 and 2002, respectively. We expect to pay approximately $150,000 of these expenses in the last three months of 2003, and the remaining $957,000 in 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 (as described in Note 6 to the Consolidated Condensed Financial Statements), to finance our capital expenditures and to meet our liquidity requirements through at least December 31, 2004.

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 11.1	Computation of earnings per share
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

b. Reports on Form 8-K

A report on Form 8-K was furnished on July 28, 2003 to report under Items 7 and 9 a press release announcing the Company's financial results for the quarter ended June 30, 2003 pursuant to Item 12 of Form 8-K.

SIGNATURES

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

TRANSACT TECHNOLOGIES INCORPORATED
(Registrant)

November 10, 2003

/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	
11.1	Computation of earnings per share
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 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

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EXHIBIT 11.1

TRANSACT TECHNOLOGIES INCORPORATED
Computation of Earnings Per Share
(unaudited)

(In thousands, except per share data)	THREE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2002	NINE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2002
Net income (loss)	$ 1,140	$ (709)	$ 1,729	$ (549)
Dividends and accretion on preferred stock	(90)	(90)	(269)	(269)
Net income (loss) available to common Shareholders	$ 1,050	$ (799)	$ 1,460	$ (818)
Shares:				
Basic - Weighted average common shares Outstanding	5,830	5,645	5,748	5,625
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	491	--	309	--
Dilutive - Weighted average common and common equivalent shares outstanding	6,321	5,645	6,057	5,625
Net income (loss) per common and common equivalent share:				
Basic	$ 0.18	$ (0.14)	$ 0.25	$ (0.15)
Diluted	$ 0.17	$ (0.14)	$ 0.24	$ (0.15)

Exhibit 31.1

CERTIFICATIONS

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(s) 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(s) 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 the 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 financial information; and

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

Date: November 10, 2003

/s/ Bart C. Shuldman

Bart C. Shuldman
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

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(s) 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(s) 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 the 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 financial information; and

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

Date: November 10, 2003

/s/ Richard L. Cote

Richard L. Cote

Executive Vice President, Secretary, Treasurer and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of TransAct Technologies Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bart C. Shuldman, Chief Executive Officer of the Company, and 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 our 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 result of operations of the Company.

/s/ Bart C. Shuldman
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Bart C. Shuldman
Chief Executive Officer
November 10, 2003

/s/ Richard L. Cote

Richard L. Cote
Chief Financial Officer
November 10, 2003