FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended: March 31, 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 Exchange Act Rule 12b-2).

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 MAY 2, 2003
COMMON STOCK, $.01 PAR VALUE	5,717,253

TRANSACT TECHNOLOGIES INCORPORATED

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ITEM 1. FINANCIAL STATEMENTS

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	MARCH 31, 2003	December 31, 2002
	(UNAUDITED)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 306	$ 902
Receivables, net	4,673	4,039
Inventories	10,138	8,435
Refundable income taxes	228	228
Deferred tax assets	2,341	2,221
Other current assets	315	327
Total current assets	18,001	16,152
Fixed assets, net	4,032	3,924
Goodwill, net	1,469	1,469
Deferred tax assets	193	193
Other assets	307	292
	6,001	5,878
Total assets	$ 24,002	$ 22,030
LIABILITIES, MANDITORILY REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Current portion of term loan	$ 100	$ 100
Accounts payable	3,337	2,983
Accrued liabilities	3,624	3,592
Accrued restructuring expenses (Note 5)	672	900
Total current liabilities	7,733	7,575
Revolving bank loan payable	4,535	2,541
Long-term portion of term loan	225	250
Long-term portion of accrued restructuring (Note 5)	693	818
Other liabilities	698	477
	6,151	4,086
Total liabilities	13,884	11,661
Commitments and contingencies (Note 6)		
Mandatorily redeemable preferred stock	3,844	3,824
Shareholders' equity:		
Common stock	57	57
Additional paid-in capital	6,313	6,308
Retained earnings	311	599
Unamortized restricted stock compensation	(72)	(97)
Loan receivable from officer	(330)	(330)
Accumulated other comprehensive loss	(5)	8
Total shareholders' equity	6,274	6,545
	$ 24,002	$ 22,030

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)	THREE MONTHS ENDED MARCH 31, 2003	2002
Net sales	$ 9,012	$ 10,525
Cost of sales	6,571	7,899
Gross profit	2,441	2,626
Operating expenses:		
Engineering, design and product development expenses	562	546
Selling and marketing expenses	1,044	1,031
General and administrative expenses	1,099	1,176
Business consolidation and restructuring expenses (Note 5)	-	41
	2,705	2,794
Operating loss	(264)	(168)
Other income (expense):		
Interest, net	(46)	(55)
Other, net	-	21
	(46)	(34)
Loss before income taxes	(310)	(202)
Income tax benefit	(112)	(73)
Net loss	(198)	(129)
Dividends and accretion charges on preferred stock	(90)	(90)
Net loss available to common shareholders	$ (288)	$ (219)
Net loss per share:		
Basic and diluted	$ (0.05)	$ (0.04)
Shares used in per share calculation:		
Basic and diluted	5,674	5,604

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(UNAUDITED)

(In thousands)	THREE MONTHS ENDED MARCH 31, 2003	2002
Cash flows from operating activities:		
Net loss	$ (198)	$ (129)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	473	608
Deferred income taxes	(120)	(77)
Gain on disposal of equipment	(1)	-
Changes in operating assets and liabilities:		
Receivables	(634)	471
Inventories	(1,703)	349
Other current assets	12	(19)
Other assets	(39)	(13)
Accounts payable	354	332
Accrued liabilities and other liabilities	253	(57)
Customer advance payment	-	4,062
Accrued restructuring expenses	(353)	(644)
Net cash (used in) provided by operating activities	(1,956)	4,883
Cash flows from investing activities:		
Purchases of fixed assets	(532)	(190)
Proceeds from sale of fixed assets	1	-
Net cash used in investing activities	(531)	(190)
Cash flows from financing activities:		
Revolving bank loan borrowings (repayments), net	1,994	(4,994)
Term loan repayments	(25)	(25)
Proceeds from option exercises	5	79
Payment of cash dividends on preferred stock	(70)	(70)
Net cash provided by (used in) financing activities	1,904	(5,010)
Effect of exchange rate changes on cash	(13)	(23)
Decrease in cash and cash equivalents	(596)	(340)
Cash and cash equivalents at beginning of period	902	417
Cash and cash equivalents at end of period	$ 306	$ 77

See notes to consolidated condensed financial statements.

TRANSACT TECHNOLOGIES INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. In the opinion of TransAct Technologies Incorporated (the "Company"), the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly its financial position as of March 31, 2003, and the results of its operations and cash flows for the three months ended March 31, 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 months ended March 31, 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 months ended March 31, 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 months ended March 31, 2003 and 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 would entitle holders to acquire 1,456,000 and 1,242,000 shares of common stock as of March 31, 2003 and 2002, respectively.

3. Inventories:

The components of inventory are:

(In thousands)	March 31, 2003	December 31, 2002
Raw materials and component parts	$ 9,961	$ 8,339
Work-in-process	-	1
Finished goods	177	95
	$ 10,138	$ 8,435

4. Significant transactions

On March 24, 2003, the Company amended the LaSalle Credit Facility. Under the terms of the amendment ("LaSalle Amendment No. 4"), LaSalle (1) waived compliance with the minimum EBITDA covenant as of December 31, 2002, (2) revised this covenant and certain other financial covenants through May 2004 and (3) eliminated the availability of the $1 million equipment loan facility due to expire in May 2003. In addition, LaSalle has restricted $1 million of the Company's borrowing availability under the revolving credit line pending the outcome of ongoing patent licensing discussions for the use of certain third party technology. Upon execution of LaSalle Amendment No.4, the Company paid a fee of $25,000 to LaSalle.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

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 Company does not expect to incur any additional charges related to the Consolidation during 2003.

The following table summarizes the activity recorded in the restructuring accrual during the three months ended March 31, 2003 and 2002.

(In thousands)	Three Months Ended March 31, 2003	2002
Accrual balance, beginning of period	$ 1,718	$ 3,002
Business consolidation and restructuring expenses	-	41
Cash payments	(353)	(685)
Accrual balance, end of period	$ 1,365	$ 2,358

Approximately $693,000 and $818,000 of the restructuring accrual was classified as long-term at March 31, 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 March 31, 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, while the other party seeks payment of up to $950,000. 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 first quarter of 2003, the Company accrued an additional $54,000 in cost of sales to reflect the potential payment for printers sold during the quarter.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

7. 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 generally 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").

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.

The following table illustrates the effect on net loss, compensation expense and loss per share as if the Black-Scholes fair value method described in FAS 123, "Accounting for Stock-Based Compensation" had been applied to the Company's stock plans.

	Three months ended March 31,	
	2003	2002
(In thousands, except per share data)		
Net loss available to common shareholders:		
Net loss available to common shareholders, as reported	$ (288)	$ (219)
Add: Stock-based compensation expense included in reported net loss, net of tax	16	46
Deduct: Stock-based compensation expense determined under fair value based method for all awards, net of tax	(161)	(136)
Pro forma net loss available to common Shareholders	$ (433)	$ (309)
Net loss per share:		
Basic and diluted:		
As reported	$ (0.05)	$ (0.04)
Pro forma	(0.08)	(0.06)

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

7. Accounting for Stock-Based Compensation (continued)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the three months ended March 31, 2003 and 2002.

	Three months ended March 31, 2003	2002
Risk-free interest rate	2.7%	4.5%
Dividend yield	0%	0%
Expected volatility factor	82.3%	83.3%
Expected option term	6.4 years	6.4 years
Weighted average fair value of options granted during period	$3.28	$4.12

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; 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 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. We do not expect to incur any additional charges related to the Consolidation during 2003. 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 in 2003.

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 MARCH 31, 2003 COMPARED TO THREE MONTHS ENDED MARCH 31, 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 March 31, 2003		Three months ended March 31, 2002	
Point of sale	$ 4,331	48.1%	$ 4,072	38.7%
Gaming and lottery	4,681	51.9	6,453	61.3
	$ 9,012	100.0%	$ 10,525	100.0%
International	$ 1,066	11.8%	$ 1,011	9.6%

Net sales for the first quarter of 2003 decreased $1,513,000, or 14%, from the prior year's first quarter due to lower shipments into the gaming and lottery market, offset by slightly higher sales into our point of sale ("POS") market. Overall, international sales increased slightly by $55,000, or 5%.

POINT OF SALE:

Sales of our POS printers increased by approximately $259,000, or 6% from the same period last year. Domestic POS printer sales increased to $3,269,000, representing a $178,000, or 6%, increase from the first quarter of 2002, due to higher sales through our U.S. distributors. Despite this increase, domestic sales remained soft due to continued lower capital spending by users of our POS products. However, sales of our POSjet line of inkjet printers increased by approximately 107% in the first quarter of 2003 compared to the first quarter of 2002.

International POS printer shipments increased by approximately $81,000, or 8%, to $1,062,000, due primarily to higher sales through our expanding network of international distributors and higher service and spare parts revenue.

Due to on-going economic weakness, we expect continued lower capital spending by users of our POS products, and continued worldwide softness in demand for our POS products in 2003. As a result, we expect sales into the POS market for the second quarter of 2003 to be consistent with those reported for the first quarter of 2003.

GAMING AND LOTTERY:

Sales of our gaming and lottery printers decreased by $1,772,000, or 27%, from the first quarter a year ago, primarily due to lower shipments of our on-line lottery printer, somewhat offset by stronger sales of our video lottery terminal ("VLT") and slot machine printers.

Total sales to GTECH Corporation ("GTECH") (a worldwide lottery terminal provider and major customer), which included impact on-line and in-lane lottery printers, and spare parts revenue, decreased $3,600,000 to approximately $800,000 in the first quarter of 2003.

Shipments of impact on-line lottery printers and spare parts revenue decreased by $3,000,000 to approximately $800,000 in the first quarter of 2003. Although GTECH may place future orders for our impact on-line lottery printer, we do not currently have any orders for such printers, and we cannot predict if and when any such orders may occur. Shipments of in-lane lottery printers totaled approximately $600,000 in the first quarter of 2002. We made no in-lane lottery printer shipments in the first quarter of 2003. In July 2002, we entered into a 5-year agreement with GTECH to provide a newly-designed thermal on-line lottery printer. We have received orders from GTECH for approximately $6.5 million of these thermal printers, of which we expect to ship approximately $4.0 million during the second quarter of 2003 and the remainder during the third quarter of 2003. We expect to receive additional thermal printer orders from GTECH for delivery in 2003.

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

Three months ended

	March 31, 2003	March 31, 2002
On-line lottery printers and spare parts	$800	$3,800
In-lane lottery printers	-	600
	$800	$4,400
% of consolidated net sales	9%	42%

Sales of our gaming printers, which include VLT and slot machine printers, and related spare parts and repairs, increased by approximately $1,800,000 to $3,900,000. 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 second quarter and the remainder of 2003, as more casinos are expected to convert to ticket-in, ticket-out slot machines and as a result of the VLT initiative in the state of New York.

International sales into the gaming and lottery market were minimal in both the first quarter of 2003 and 2002.

GROSS PROFIT. Gross profit decreased $185,000, or 7%, due primarily to lower volume of sales. Despite a 14% decline in sales, gross margin increased to 27.1% from 25.0%, largely as a result of a more favorable sales mix in the first quarter of 2003 compared to the first quarter of 2002. We expect gross margin for the second quarter of 2003 to be approximately 30%, due largely to higher expected volume of sales compared to the first quarter of 2003.

ENGINEERING AND PRODUCT DEVELOPMENT. Engineering, design and product development expenses increased slightly by $16,000, or 3%. Such expenses also increased as a percentage of net sales to 6.2% from 5.2%, due primarily to lower volume of sales in the first quarter of 2003 compared to the first quarter of 2002.

SELLING AND MARKETING. Selling and marketing expenses increased slightly by $13,000, or 1%. Selling and marketing expenses also increased as a percentage of net sales to 11.6% from 9.8%, due to lower volume of sales in the first quarter of 2003 compared to the first quarter of 2002.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased by $77,000, or 7%. The decrease primarily resulted from staff reductions resulting from the Consolidation, somewhat offset by higher legal expenses to support our growing patent portfolio. General and administrative expenses increased as a percentage of net sales to 12.2% from 11.2% due primarily to lower volume of sales in the first quarter of 2003 compared to the first quarter of 2002.

BUSINESS CONSOLIDATION AND RESTRUCTURING. During the first quarter of 2002, we incurred $41,000 of expenses related to the Consolidation, primarily for severance costs. We did not incur any charges related to the Consolidation in the first quarter of 2003, and do not expect to incur any additional charges for the remainder of 2003. See Note 5 to the Consolidated Condensed Financial Statements.

OPERATING LOSS. During the first quarter of 2003 we reported an operating loss of $264,000, or 2.9% of net sales, compared to an operating loss of $168,000, or 1.6% of net sales in the first quarter of 2002. The increase in our operating loss was due largely to lower gross profit on lower sales, partially offset by lower operating expenses, in the first quarter of 2003 compared to 2002.

INTEREST. Net interest expense decreased to $46,000 from $55,000 in the first quarter of 2002 due largely to lower average revolving borrowings and lower interest rates. We expect revolving borrowings to increase to approximately $5 million to $6 million by end of the second quarter of 2003, as we fund growth in receivables and inventories for anticipated higher sales volume in the second quarter of 2003. As a result, we expect interest expense to increase in the second quarter of 2003 compared to the first quarter of 2003. See "Liquidity and Capital Resources" below for more information.

OTHER INCOME. Other income for the first quarter of 2002 primarily includes transaction exchange gain recorded by our UK subsidiary.

INCOME TAXES. We recorded an income tax benefit of $112,000 and $73,000 in the first quarter of 2003 and 2002, respectively, at an effective rate of approximately 36.0% in each quarter.

NET LOSS. We reported a net loss during the first quarter of 2003 of $198,000, or $0.05 per share (basic and diluted) after giving effect to $90,000 of dividends and accretion charges on preferred stock. This compares to a net loss of $129,000, or $0.04 per share (basic and diluted) for the first quarter of 2002, after giving effect to $90,000 of dividends and accretion charges on preferred stock. In future quarters, dividends and accretion charges on preferred stock will be approximately $90,000, assuming no conversion or redemption of the preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Operating activities - summary: We used cash in operations of $1,956,000 in the first quarter of 2003, compared to generating $4,883,000 of cash from operations in the first quarter of 2002. The significant decrease in cash generated from operations was the result of two primary factors. First, we received an advanced payment of approximately $5,824,000 from a customer in the first quarter of 2002 that significantly increased cash from operations for that period. Second, we made a significant investment in inventory during the first quarter of 2003, as we prepared for increased sales of our gaming and lottery printers for the second quarter of 2003.

Cash provided by operating activities: During the first quarter of 2003, depreciation and amortization totaled $473,000 compared to $608,000 in the same quarter of 2002. Accounts payable increased by $354,000 from the year-end due largely to the increase in our inventory. We expect accounts payable to continue to increase in the second quarter of 2003 in proportion to our expected inventory increase. Accrued liabilities and other liabilities, excluding accrued restructuring, increased by $253,000, 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 quarter of 2003 were the following. Deferred taxes increased by $120,000 due primarily to the income tax benefit recorded in the first quarter of 2003. Receivables increased by approximately $634,000 from year-end, due largely to the timing of sales in the quarter. Inventories increased by approximately $1,703,000, in preparation for volume shipments of our new thermal on-line lottery printer for GTECH and anticipated increasing sales of our gaming printers in the second quarter of 2003. The restructuring accrual decreased by $353,000, representing payouts for severance pay and related benefits and lease payments for the Wallingford Facility. (See "Consolidation Expenses" below).

Investing activities: Our capital expenditures were approximately $532,000 and $190,000 in the first quarter of 2003 and 2002, respectively. These expenditures primarily included new product tooling, and to a lesser extent, computer equipment. We expect capital expenditures for 2003 to be approximately $1,800,000, primarily for tooling for our new thermal lottery printer for GTECH and other new products.

Financing activities: Financing activities provided $1,904,000 during the first quarter of 2003, largely due to net borrowings under our revolving credit facility (approximately $1,994,000), partially offset by term loan repayments (approximately $25,000) and payments of cash dividends on our preferred stock (approximately $70,000). Financing activities used $5,010,000 during the first quarter 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 $10,268,000 at March 31, 2003 from $8,577,000 at December 31, 2002. The current ratio also increased to 2.34 to 1 at March 31, 2003 from 2.13 to 1 at December 31, 2002. The increase in both working capital and the current ratio was largely due to (1) higher inventories ($1,703,000) and (2) higher receivables ($634,000), offset by (3) lower cash and cash equivalents ($596,000) compared to December 31, 2002.

DEFERRED TAXES

As of March 31, 2003, we had a net deferred tax asset of approximately $2,534,000. In order to utilize this deferred tax asset, we will need to generate approximately $7 million of taxable income in future years. Based on future financial projections and our ability to carry back our 2002 net operating loss, we have determined that 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, while the other party seeks payment of up to $950,000 (the "Patent Resolution Payment"). 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 first quarter of 2003, we accrued an additional $54,000 in cost of sales to reflect the potential payment for printers sold during the quarter.

CREDIT FACILITY AND BORROWINGS

We currently have a $13.5 million credit facility (the "LaSalle Credit Facility") with LaSalle Business Credit, Inc. ("LaSalle") that expires on May 25, 2004. The LaSalle Credit Facility provides a $12 million revolving credit line, a $0.5 million term loan and a $1 million equipment loan facility. Revolving borrowings under the LaSalle Credit Facility bear a floating rate of interest based on LaSalle's prime rate plus 1.0%. 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 3.5%. Borrowings under the term loan and equipment loan bear a floating rate of interest based on LaSalle's prime rate plus 1.5%, or the current LIBOR rate plus 4.0%.

On March 24, 2003, we amended the LaSalle Credit Facility. Under the terms of the amendment ("LaSalle Amendment No. 4"), LaSalle (1) waived compliance with the minimum EBITDA covenant as of December 31, 2002, (2) revised this covenant and certain other financial covenants through May 2004 and (3) eliminated the availability of the $1 million equipment loan facility due to expire in May 2003. In addition, LaSalle has restricted $1 million of our borrowing availability under the revolving credit line pending the Patent Resolution Payment. Upon execution of LaSalle Amendment No. 4, we paid a fee of $25,000 to LaSalle.

As of March 31, 2003, we had $4,535,000 and $325,000 outstanding on the revolving credit line and term loan, respectively. Undrawn commitments under the LaSalle Credit Facility were approximately $7,465,000 at March 31, 2003. However, our maximum available borrowings under the facility were approximately $2,450,000 at March 31, 2003 based on the borrowing base of our collateral. Annual principal payments on the term loan are $100,000.

PREFERRED STOCK

In connection with its 7% Series B Cumulative Convertible Redeemable Preferred Stock (the "Preferred Stock"), we paid $70,000 of cash dividends to Advance Capital Advisors, L.P. in the first quarter of 2003 and 2002, and expect to pay $70,000 per quarter for the remainder of 2003. 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.

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. We do not expect to incur any additional charges related to the Consolidation during 2003.

Accrued restructuring expenses related to the Consolidation totaled $1,365,000 at March 31, 2003, and include remaining severance pay, and estimated non-cancelable lease payments and other related costs through approximately September 30, 2004. We paid approximately $353,000 and $685,000 of Consolidation expenses in the first quarter of 2003 and 2002, respectively. We expect to pay approximately $450,000 of these expenses in the last nine months of 2003, and the remaining $915,000 in 2004.

RESOURCE SUFFICIENCY

We believe that cash flows generated from operations and borrowings available under the LaSalle Credit Facility, as amended, will provide sufficient resources to meet the Company's working capital needs, including costs associated with the Consolidation and the Patent Resolution Payment (as described in Note 6 to the Consolidated Condensed Financial Statements), finance its capital expenditures and meet its liquidity requirements through December 31, 2003. However, we recognize that the level of financial resources available to us is an important factor, and we will consider additional financing sources as appropriate, including raising additional equity capital on an on-going basis as market factors and our needs suggest. We currently expect to refinance any outstanding borrowings under the LaSalle Credit Facility prior to its expiration in May 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 LaSalle 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 the LaSalle 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

Within 90 days of the filing of this 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, subsequent to the evaluation described above.

Reference is made to the Certifications of the Chief Executive Officer and Chief Financial Officer about these and other matters following the signature page of 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 99.1	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

None.

SIGNATURES

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

TRANSACT TECHNOLOGIES INCORPORATED

(Registrant)

May 9, 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)

CERTIFICATION

I, Bart C. Shuldman, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

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

CERTIFICATION

I, Richard L. Cote, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

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

EXHIBIT LIST

The following exhibits are filed herewith.

Exhibit	
11.1	Computation of earnings per share.
99.1	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 MARCH 31, 2003	2002
Net loss	$ (198)	$ (129)
Dividends and accretion on preferred stock	(90)	(90)
Net loss available to common shareholders	$ (288)	$ (219)
Shares:		
Basic - Weighted average common shares outstanding	5,674	5,604
Dilutive effect of outstanding options and warrants as determined by the treasury stock method	-	-
Dilutive - Weighted average common and common equivalent shares outstanding	5,674	5,604
Net loss per common and common equivalent share:		
Basic	$ (0.05)	$ (0.04)
Diluted	$ (0.05)	$ (0.04)

EXHIBIT 99.1

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 March 31, 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

Bart C. Shuldman
Chief Executive Officer
May 9, 2003

/s/ Richard L. Cote

Richard L. Cote
Chief Financial Officer
May 9, 2003