



TRANSACT TECHNOLOGIES REPORTS SECOND QUARTER 2006 RESULTS

-- Company Achieves Second Consecutive Quarter of Record Sales --

Wallingford, CT, August 2, 2006 - TransAct Technologies Incorporated (Nasdaq: TACT), a leading producer of market specific printers for transaction-based industries worldwide, today announced financial results for the three months ended June 30, 2006.

Revenues for the second quarter of 2006 were \$16.9 million, a 37% increase compared to \$12.3 million in the same period a year ago. The Company earned net income for the second quarter of 2006 of \$0.9 million compared to \$0.3 million in the same period of 2005. Earnings per share for the three months ended June 30, 2006 were \$0.09 per diluted share compared to \$0.03 per diluted share in the same period a year ago.

Revenues for the six months ended June 30, 2006 were \$33.3 million, compared to \$24.4 million in the same period a year ago. The Company earned net income for the first half of 2006 of \$1.9 million compared to \$0.4 million in the comparable year ago period. Earnings per share for the first half of 2006 were \$0.19 per diluted share compared to \$0.04 per diluted share in the same period a year ago.

Bart C. Shuldman, Chairman, President and Chief Executive Officer of TransAct Technologies, said, "TransAct achieved record revenue in the second quarter, driven by strong sales growth across all three of our sales units. Our success in the first half of 2006 is further proof that the investments we made in the business last year are translating into results this year for both revenue and market share growth."

Mr. Shuldman continued, "Our net income in the second quarter would have been even stronger if not for the negative impact of approximately \$70,000 resulting from currency exchange losses, more specifically the weakening U.S. dollar versus the British pound, and from \$220,000 in expenses associated with a potential acquisition that we considered, but did not complete. The potential acquisition was presented to us and it appeared to be a significant opportunity that would have materially changed the size and scope of TransAct. We spent a lot of time working on this acquisition in the second quarter and were disappointed when the company to be acquired pulled out of the deal. We will continue, as we always have, to evaluate M&A opportunities. However, we want to make sure our investors know that our acquisition strategy is to identify possible partners that compliment our core business and that increase the size and scope of our Company. We view our acquisition strategy as opportunistic and not just for growth's sake."

Gaming and Lottery

Revenue from the Gaming and Lottery market for the second quarter of 2006 was \$9.1 million, up 52% compared to \$6.0 million in the same period of 2005. Revenue growth was driven by strong lottery printer sales to GTECH and by solid results in gaming printer sales, especially to the international markets. Although the domestic casino market remains challenging, the Company continues to gain market share through its sales relationship with JCM American Corporation.

POS and Banking

Revenue from the POS and Banking market was \$4.4 million in the second quarter of 2006, an increase of 41% compared to \$3.2 million in the second quarter of 2005. This growth was largely attributable to increased sales of TransAct's line of thermal and inkjet POS printers, including TransAct's BANKjet® 1500 printers used in bank teller stations.

TransAct Services Group

Revenue from the TransAct Services Group, which includes spare parts, refurbished printers, consumables and services, was \$3.3 million in the second quarter of 2006 compared to \$3.2 million in the year ago period. Revenue growth in the second quarter was driven by increased sales in almost all aspects of this sales unit including refurbished printers, consumables and service products.

Operations and Finance

Steven A. DeMartino, Executive Vice President and Chief Financial Officer of TransAct Technologies, commented, "We continued to execute well against our business strategy, which resulted in year-over-year sales growth of 37%. Operating margin for the second quarter of 2006 improved to 8.1% from 3.1% in the second quarter of 2005, largely the result of the

operating leverage we experienced on higher sales. We also further strengthened our balance sheet, ending the quarter with \$5.7 million of cash and no debt. We did not buy back any shares in the quarter under our stock repurchase program."

Looking Forward

Mr. Shuldman commented, "TransAct is off to a solid start in the first half of 2006 with all three of our sales units growing. During the first six months of 2006, we experienced significant growth in our Gaming and Lottery market driven by strong sales to GTECH and solid gains in our worldwide gaming market. Also contributing to our success in the first half of this year were strong sales in our POS and banking market, which are the result of our best-in-class product offerings and our expanded sales team. And finally, we started production of two new printers during the quarter - our new Ithaca®8000, a liner-less label printer for the POS and other markets that we call the Print-It, Stick-It™ printer, and our new Epic 430™ for the international off-premise gaming market."

Mr. Shuldman concluded, "Overall, we remain excited about the long-term prospects for our business. We see great potential in the international gaming market and expect to continue to gain market share in the domestic gaming market through our relationship with JCM. The TransAct Services Group will continue to deliver growth led by our three fully operational service centers and an expanded sales team focused solely on this part of the business. And in our POS and Banking market we expect to see continued demand for our innovative products. Consistent with broader market trends, TransAct will no longer issue quarterly revenue and EPS guidance. We believe that in this volatile environment issuing such estimates is not consistent with the way we manage the business. Management has provided the market with yearly revenue guidance for 2006, and we are maintaining our guidance for 2006 annual revenue of \$65 to \$67 million."

Investor Conference Call / Webcast Details

TransAct will review detailed second quarter 2006 results and forward looking guidance during a conference call today at 5:00PM EDT. The conference call-in number is 201-689-8471. A replay of the call will be available from 8:00PM EDT on Wednesday, August 2 through midnight EDT on Wednesday, August 9 by telephone at 201-612-7415. The account number to access the replay is 3055 and the password is 208297. Investors can also access the conference call via a live webcast on the Company's Web site at www.transact-tech.com. A replay of the call will be archived on that Website for one week.

About TransAct Technologies Incorporated

TransAct Technologies Incorporated (Nasdaq:TACT) is the leader in developing and manufacturing market-specific printers for transaction-based industries. These industries include gaming, lottery, banking and hospitality. Each individual market has distinct, critical requirements for printing and the transaction isn't complete until the receipt and/or ticket is produced. TransAct printers are designed from the ground up based on market specific requirements and are sold under the Ithaca® and Epic product brands. TransAct distributes its products through OEMs, value-added resellers, selected distributors, and direct to end-users. TransAct has over two million printers installed around the world. TransAct also has a strong focus on the after-market side of the business, with a high commitment to printer service, supplies and spare parts. TransAct is headquartered in Wallingford, CT. For more information on TransAct, visit www.transact-tech.com or call 203.859.6800.

Contacts: Steven DeMartino, Chief Financial Officer, 203-859-6810 or David Pasquale, 646-536-7006, or Denise Roche, 646-536-7008, both with The Ruth Group

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Forward-Looking Statements:

Certain statements in this press release include forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "project" or "continue" or the negative thereof or other similar words. All forward-looking statements involve risks and uncertainties, including, but are not limited to, customer acceptance and market share gains, both domestically and internationally, in the face of substantial competition from competitors that have broader lines of products and greater financial resources; introduction of new products into the marketplace by competitors; successful product development; dependence on significant customers; dependence on significant vendors; the ability to recruit and retain quality employees as the Company grows; dependence on third parties for sales outside the United States, including Australia, New Zealand, Europe and Latin America; economic and political conditions in the United States, Australia, New Zealand, Europe and Latin America; marketplace acceptance of new products; risks associated with foreign operations; availability of third-party components at reasonable prices; price wars or other significant pricing pressures affecting the Company's products in the United States or abroad; risks associated with potential future acquisitions; and the outcome of lawsuits between TransAct and FutureLogic, Inc. 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 release and the Company assumes no duty to update them to reflect new,

changing or unanticipated events or circumstances.

TRANSACTION TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Net sales	\$ 16,905	\$ 12,346	\$ 33,339	\$ 24,382
Cost of sales	11,159	8,092	21,906	16,451
Gross profit	<u>5,746</u>	<u>4,254</u>	<u>11,433</u>	<u>7,931</u>
Operating expenses:				
Engineering, design and product development	789	739	1,530	1,470
Selling and marketing	1,711	1,547	3,291	2,896
General and administrative	1,890	1,590	3,600	2,954
	<u>4,370</u>	<u>3,876</u>	<u>8,421</u>	<u>7,320</u>
Operating income	<u>1,376</u>	<u>378</u>	<u>3,012</u>	<u>611</u>
Other income (expense):				
Interest, net	23	20	37	40
Other, net	(71)	16	(82)	15
	<u>(48)</u>	<u>36</u>	<u>(45)</u>	<u>55</u>
Income before income taxes	1,328	414	2,967	666
Income tax provision	<u>471</u>	<u>147</u>	<u>1,053</u>	<u>236</u>
Net income	<u>\$ 857</u>	<u>\$ 267</u>	<u>\$ 1,914</u>	<u>\$ 430</u>
Net income per common share:				
Basic	\$ 0.09	\$ 0.03	\$ 0.20	\$ 0.04
Diluted	\$ 0.09	\$ 0.03	\$ 0.19	\$ 0.04
Shares used in per share calculation:				
Basic	9,581	9,970	9,570	9,990
Diluted	9,927	10,246	9,898	10,379

SUPPLEMENTAL INFORMATION – SALES BY SALES UNIT:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Point of sale and banking	\$ 4,448	\$ 3,155	\$ 9,112	\$ 7,109
Gaming and lottery	9,144	6,027	17,788	11,498
TransAct services group	3,313	3,164	6,439	5,775
Total net sales	<u>\$ 16,905</u>	<u>\$ 12,346</u>	<u>\$ 33,339</u>	<u>\$ 24,382</u>

TRANSACTION TECHNOLOGIES INCORPORATED
CONSOLIDATED BALANCE SHEET S
(Unaudited)

(In thousands)	June 30, 2006	December 31, 2005
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,721	\$ 4,579
Receivables, net	10,012	8,359
Inventories	8,276	6,036
Refundable income taxes	150	295
Deferred tax assets	2,735	2,735
Other current assets	355	258
Total current assets	<u>27,249</u>	<u>22,262</u>
Fixed assets, net	5,561	4,510
Goodwill, net	1,469	1,469
Deferred tax assets	557	557
Intangibles and other assets	559	534
	<u>8,146</u>	<u>7,070</u>
Total assets	<u>\$ 35,395</u>	<u>\$ 29,332</u>
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	\$ 5,349	\$ 2,859
Accrued liabilities	4,606	3,198
Accrued restructuring	420	420

Deferred revenue	<u>902</u>	<u>410</u>
Total current liabilities	<u>10,777</u>	<u>6,887</u>
Accrued restructuring	380	587
Deferred revenue	316	270
Other liabilities	<u>338</u>	<u>331</u>
Total liabilities	<u>11,811</u>	<u>8,075</u>
Shareholders' equity:		
Common stock	104	102
Additional paid-in capital	18,548	17,497
Retained earnings	9,403	7,489
Accumulated other comprehensive income	94	36
Treasury stock	<u>(4,565)</u>	<u>(3,867)</u>
Total shareholders' equity	<u>23,584</u>	<u>21,257</u>
	<u>\$ 35,395</u>	<u>\$ 29,332</u>