

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number: 0-4041

HATHAWAY CORPORATION
(Incorporated Under the Laws of the State of Colorado)

8228 PARK MEADOWS DRIVE
LITTLETON, COLORADO 80124
TELEPHONE: (303) 799-8200

84-0518115
(IRS Employer Identification Number)

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 ninety (90) days.

YES X NO _____

Number of Shares of the only class of Common Stock outstanding:
(4,283,000 as of March 31, 1998)

HATHAWAY CORPORATION
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HATHAWAY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	MARCH 31, 1998	JUNE 30, 1997
----- (UNAUDITED)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,075	\$ 3,431
Restricted cash	480	253
Trade receivables, net	6,975	6,910
Inventories, net	4,037	4,907
Other	1,459	2,034

Total current assets	16,026	17,535
Property and equipment, net	1,782	1,841
Cost in excess of net assets acquired, net	869	591

Total Assets	\$18,677	\$19,967
=====		
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Long-term debt classified as current	\$ 1,207	\$ 1,769
Accounts payable	2,338	1,843
Accrued and other current liabilities	3,523	3,329

Total current liabilities	7,068	6,941
Stockholders' Investment:		
Common stock	100	100
Additional paid-in capital	9,954	9,954
Retained earnings	5,382	6,818
Treasury stock	(3,973)	(3,971)
Other	146	125

Total Stockholders' Investment	11,609	13,026

Total Liabilities and Stockholders' Investment	\$18,677	\$19,967
=====		

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	1998	MARCH 31, 1997	1998	MARCH 31, 1997
Revenues	\$ 9,804	\$ 9,443	\$30,480	\$28,629
Operating costs and expenses:				
Cost of products sold	6,245	6,342	19,701	18,618
Selling	1,911	1,928	5,955	5,710
General and administrative	1,043	1,234	3,076	3,512
Engineering and development	1,146	1,046	3,094	2,769
Amortization of intangibles and other	89	79	237	171
Total operating costs and expenses	10,434	10,629	32,063	30,780
Operating loss	(630)	(1,186)	(1,583)	(2,151)
Other income (expenses), net:				
Interest and dividend income	39	57	155	171
Interest expense	(38)	(40)	(124)	(123)
Other income (expenses), net	(61)	(180)	(183)	(139)
Total other income (expenses), net	(60)	(163)	(152)	(91)
Loss before income taxes	(690)	(1,349)	(1,735)	(2,242)
Benefit for income taxes	--	413	299	705
Net loss	\$ (690)	\$ (936)	\$(1,436)	\$(1,537)
Basic and diluted net loss per share (Note 4)	\$ (0.16)	\$ (0.22)	\$ (0.33)	\$ (0.36)

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	FOR THE NINE MONTHS ENDED MARCH 31,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,436)	\$(1,537)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	694	744
Other	101	77
Changes in assets and liabilities, net of effect of purchase of Tate Integrated Systems (Note 3):		
(Increase) decrease in -		
Restricted cash	(227)	(89)
Receivables	(130)	297
Inventories	454	899
Prepaid expenses and other	575	(289)
Increase (decrease) in -		
Accounts payable	495	(109)
Accrued liabilities and other	194	(915)
Net cash from operating activities	720	(922)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(514)	(380)
Proceeds from maturity of marketable securities	--	198
Purchase of interest in Tate Integrated Systems (Note 3)	--	(788)
Net cash from investing activities	(514)	(970)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit and long-term debt	(562)	(52)
Proceeds from exercise of employee stock options	--	74
Purchase of treasury stock	(2)	(101)
Net cash from financing activities	(564)	(79)
Effect of foreign exchange rate changes on cash	2	33
Net increase (decrease) in cash and cash equivalents	(356)	(1,938)
Cash and cash equivalents at beginning of year	3,431	4,925
Cash and cash equivalents at March 31	\$ 3,075	\$ 2,987

HATHAWAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PREPARATION AND PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Hathaway Corporation, its wholly-owned subsidiaries and investments in joint ventures (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior year balances in order to conform to the current year's presentation.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements that are prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures herein are adequate to make the information presented not misleading. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the June 30, 1997 Annual Report and Form 10-K previously filed by the Company.

2. INVENTORIES

Inventories, valued at the lower of cost (first-in, first-out basis) or market, are as follows (in thousands):

	MARCH 31, 1998	JUNE 30, 1997
Parts and raw materials, net	\$ 2,591	\$ 2,141
Finished goods and work-in process, net	1,446	2,766
	\$ 4,037	\$ 4,907

3. BUSINESS ACQUISITION

Effective September 30, 1996, the Company acquired a 100% partnership interest in Tate Integrated Systems (TIS), which has since operated as Hathaway Industrial Automation (HIA).

The acquisition has been accounted for using the purchase method of accounting, and, accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon the fair values at the date of acquisition. The final net purchase price allocation was as follows (in thousands):

Trade receivables, net	\$	485
Inventories, net		649
Property and equipment, net		123
Cost in excess of net assets acquired		624
Accounts payable		(580)
Accrued liabilities and other		(209)

Net purchase price	\$	1,092

HATHAWAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. EARNINGS PER SHARE

In December, 1997 the Company adopted Financial Accounting Standards Board Statement No. 128, "Earnings Per Share" (EPS). In accordance with the requirements of the Statement, Primary and Fully Diluted EPS has been replaced with Basic and Diluted EPS in all periods for which a Statement of Operations is presented.

Basic and Diluted earnings per share have been computed as follows (in thousands, except per share data):

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	MARCH 31,		MARCH 31,	
	1998	1997	1998	1997

Numerator:				
Net loss	\$ (690)	\$ (936)	\$ (1,436)	\$ (1,537)
Denominator:				
Weighted average outstanding shares	4,284	4,269	4,283	4,251

Basic and Diluted net loss per share	\$ (0.16)	\$ (0.22)	\$ (0.33)	\$ (0.36)

Options to purchase stock were outstanding during the three and nine months ended March 31, 1997 and 1998 but were not included in the computation of diluted EPS due to their anti-dilutive effect on EPS. These outstanding options are summarized as follows:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	MARCH 31,		MARCH 31,	
	1998	1997	1998	1997

Weighted average outstanding options	705,771	711,637	707,740	704,515
Weighted average exercise price	\$3.45	\$ 3.42	\$3.45	\$3.34

At March 31, 1998 outstanding options to purchase 702,704 shares at a weighted average exercise price of \$3.45 may have a dilutive effect on future EPS.

HATHAWAY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATING RESULTS AND FINANCIAL CONDITION

All statements contained herein that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Among the factors that could cause actual results to differ materially are the following: the unavailability of sufficient capital on satisfactory terms to finance the Company's business plan, increased competition, the introduction of new technologies and competitors into the systems and instrumentation markets where the Company competes, adverse changes in the regulatory environment, and general business and economic conditions. In addition to statements that explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "expects," "plans," "anticipates," or "intends" to be uncertain and forward-looking. All cautionary statements made herein should be read as being applicable to all related forward-looking statements wherever they appear. In this connection, investors should consider the risks described herein.

OPERATING RESULTS

For the third quarter ended March 31, 1998, the Company recognized a net loss of \$690,000 or \$.16 per share, compared to a net loss of \$936,000 or \$.22 per share, for the same period last year. Included in these results are net losses of \$419,000 and \$503,000 for the quarters ended March 31, 1998 and 1997, respectively, incurred by Hathaway Industrial Automation (HIA), which was acquired by the Company effective September 30, 1996. Excluding the results of HIA, the Company recognized net losses of \$271,000 and \$433,000 for the quarters ended March 31, 1998 and 1997, respectively. Revenues increased 4% in the third quarter from \$9,443,000 last year to \$9,804,000 this year.

The Company recognized a net loss of \$1,436,000, or \$.33 per share, for the nine months ended March 31, 1998, compared to a net loss of \$1,537,000, or \$.36 per share, for the nine months ended March 31, 1997. Included in these results are HIA's net losses of \$1,362,000 and \$609,000 for the nine months ended March 31, 1998 and 1997, respectively. Excluding HIA, the Company recognized net losses of \$74,000 and \$928,000 for the nine months ended March 31, 1998 and 1997, respectively. Revenues for the first nine months increased 6% from \$28,629,000 in fiscal 1997 to \$30,480,000 in fiscal 1998.

The 4% increase in revenues in the third quarter was due to a 1% increase in revenues from the Company's motion control products and a 5% increase in revenues from the Company's power and process instrumentation products. The 6% increase in revenues for the first nine months was due to a 10% increase in revenues from the Company's motion control products and a 5% increase in revenues from the Company's power and process products. For the first nine months, the 5% increase in power and process revenues was due to revenues being generated by HIA during all three quarters of 1998 compared to only two quarters during 1997, partially offset by a 2% decrease in traditional power and process revenues.

In the third quarter, sales to international customers increased from \$3,461,000 in fiscal 1997 to \$3,719,000 in fiscal 1998. In the first nine months, sales to international customers decreased from \$10,410,000 to \$10,246,000. Foreign sales represented 38% and 37% of total sales in the quarter ended March 31, 1998 and 1997, respectively, and 34% and 36% of total sales in the nine months ended March 31, 1998 and 1997, respectively.

Cost of products sold as a percentage of revenues in the third quarter and the first nine months ended March 31, 1998 remained reasonably consistent with the prior year, decreasing from 67% to 64% in the third quarter and remaining at 65% in the first nine months. Fluctuations in cost of products sold as a percentage of revenues are due to changes in the mix of products sold, price changes implemented in response to market conditions, and other factors.

Selling, general and administrative, and engineering and development expenses decreased 2% in the third quarter and increased 2% in the first nine months, as compared to the same periods last year. Excluding HIA's selling, general and administrative, and engineering and development expenses incurred in the first quarter of 1998, these expenses decreased 3% in the first nine months of 1998, as compared to the same period last year.

HATHAWAY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATING RESULTS AND FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity position as measured by cash and cash equivalents (excluding restricted cash) decreased by \$356,000 during the first nine months of fiscal 1998 to a balance of \$3,075,000 at March 31, 1998, compared to \$1,938,000 used in the first nine months of fiscal 1997. Operating activities generated \$720,000 in fiscal 1998 compared to \$922,000 used in fiscal 1997. The improved cash from operating activities was primarily due to fluctuations in working capital balances.

Cash of \$514,000 was used by investing activities during the first nine months of 1998, compared to \$970,000 used by investing activities last year. The variance was primarily due to \$788,000 used in fiscal 1997 for the purchase of the interest in Tate Integrated Systems, partially offset by the maturity of a long-term investment which was converted into cash during the first nine months of fiscal 1997. Financing activities used \$564,000 in fiscal 1998 compared to \$79,000 used in fiscal 1997, primarily due to increased line of credit repayments.

The Company's remaining fiscal 1998 working capital, capital expenditure and debt service requirements, including repayment of the entire balance of the Midland loan, if necessary, are expected to be funded from the existing cash balance of \$3,075,000 at March 31, 1998. In addition, the Company is seeking additional debt financing in order to supplement its long-term financial resources.

HATHAWAY CORPORATION

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 13. Annual Report containing Notes to Consolidated Financial Statements in the Registrant's June 30, 1997 Annual Report to Stockholders.
- 27. Financial Data Schedule.

- (b) Reports on Form 8-K
There were no reports on Form 8-K filed in the three months ended March 31, 1998.

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.

HATHAWAY CORPORATION

DATE: April 30, 1998

By: /s/ Richard D. Smith

Executive Vice President, Treasurer,
and Chief Financial and Accounting
Officer

	3-MOS	9-MOS
	JUN-30-1998	JUN-30-1998
	JAN-01-1998	JUL-01-1997
	MAR-31-1998	MAR-31-1998
	3,075	3,075
	0	0
	7,498	7,498
	523	523
	4,037	4,037
	16,026	16,026
	9,288	9,288
	7,506	7,506
	18,677	18,677
7,068		7,068
	1,207	1,207
0		0
	0	0
	100	100
18,677	11,509	11,509
	18,677	
	9,804	30,480
9,804		30,480
	6,245	19,701
	6,245	19,701
	0	0
	20	65
	38	124
	(690)	(1,735)
	0	(299)
(690)		(1,436)
	0	0
	0	0
	0	0
	(690)	(1,436)
	(0.16)	(0.33)
	(0.16)	(0.33)

Presented gross