

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 SEPTEMBER 30, 1997

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:
(4,284,000 as of September 30, 1997)

HATHAWAY CORPORATION
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HATHAWAY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	September 30, 1997	June 30, 1997

(UNAUDITED)		
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,021	\$ 3,431
Restricted cash	222	253
Trade receivables, net	5,761	6,910
Inventories, net	4,912	4,907
Other	1,855	2,034

Total current assets	16,771	17,535
Property and equipment, net	1,822	1,841
Cost in excess of net assets acquired, net	946	591

Total Assets	\$ 19,539	\$ 19,967
=====		
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Long-term debt classified as current	\$ 1,718	\$ 1,769
Accounts payable	2,359	1,843
Accrued and other current liabilities	3,111	3,329

Total current liabilities	7,188	6,941
Stockholders' Investment:		
Common stock	100	100
Additional paid-in capital	9,954	9,954
Retained earnings	6,229	6,818
Treasury stock	(3,971)	(3,971)
Other	39	125

Total Stockholders' Investment	12,351	13,026

Total Liabilities and Stockholders' Investment	\$ 19,539	\$ 19,967
=====		

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

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

	FOR THE THREE MONTHS ENDED	
	SEPTEMBER 30,	
	1997	1996
<hr style="border-top: 1px dashed black;"/>		
Revenues	\$ 9,539	\$ 8,818
Operating costs and expenses:		
Cost of products sold	6,325	5,537
Selling	2,090	1,802
General and administrative	1,024	1,088
Engineering and development	913	885
Amortization of intangibles and other	61	46
<hr style="border-top: 1px dashed black;"/>		
Total operating costs and expenses	10,413	9,358
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Operating loss	(874)	(540)
Other income (expenses), net:		
Interest and dividend income	61	72
Interest expense	(42)	(42)
Other income (expenses), net	2	(22)
<hr style="border-top: 1px dashed black;"/>		
Total other income, net	21	8
<hr style="border-top: 1px dashed black;"/>		
Loss before income taxes	(853)	(532)
Benefit for income taxes	264	157
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Net loss	\$ (589)	\$ (375)
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Primary and fully diluted net loss per share	\$ (0.14)	\$ (0.09)
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Shares used in computing primary per share amounts	4,331	4,264
<hr style="border-top: 3px double black;"/>		
Shares used in computing fully diluted per share amounts	4,339	4,264
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The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

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

	For the three months ended September 30,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (589)	\$ (375)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	252	254
Other	(40)	(36)
Changes in assets and liabilities, net of effect of purchase of Tate Integrated Systems (Note 3):		
(Increase) decrease in -		
Restricted cash	31	(43)
Receivables	1,130	(265)
Inventories	(421)	194
Prepaid expenses and other	178	(96)
Increase (decrease) in -		
Accounts payable	516	41
Accrued liabilities	(218)	(291)
Net cash from operating activities	839	(617)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(182)	(95)
Proceeds from maturity of marketable securities	--	198
Net cash from investing activities	(182)	103
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit and long-term debt	(51)	(44)
Proceeds from exercise of employee stock options	--	37
Purchase of treasury stock	--	(82)
Net cash from financing activities	(51)	(89)
Effect of foreign exchange rate changes on cash	(16)	7
Net increase (decrease) in cash and cash equivalents	590	(596)
Cash and cash equivalents at beginning of year	3,431	4,925
Cash and cash equivalents at September 30	\$ 4,021	\$4,329

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

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):

	September 30, 1997	June 30, 1997
	-----	-----
Parts and raw materials, net	\$2,930	\$2,141
Finished goods and work-in process, net	1,982	2,766
	-----	-----
	\$4,912	\$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
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 first quarter ended September 30, 1997, the Company recognized a net loss of \$589,000 or \$.14 per share, compared to a net loss of \$375,000 or \$.09 per share, for the same period last year. Revenues increased 8% in the first quarter from \$8,818,000 last year to \$9,539,000 this year.

The 8% increase in revenues was due to a 5% increase in revenues from the Company's power and process instrumentation products and a 16% increase in revenues from the Company's motion control products. The increase in power and process revenues was due to revenues generated by HIA in the first quarter of fiscal year 1998 offset by an 8% decrease in traditional power and process revenues.

Sales to international customers decreased from 39% to 31% of total revenues. Excluding the effect of HIA, whose business is primarily with domestic customers, traditional product sales to international customers represented 34% of total revenues. The decrease in comparable international revenues (excluding HIA) from last year was due primarily to lower international power and process product sales.

Cost of products sold increased from 63% in the first quarter of fiscal 1997 to 66% in fiscal 1998 primarily because of the effect of HIA, whose cost of products sold represents a higher percentage of revenues than that of the Company's traditional product lines. Excluding the effect of HIA, the cost of products sold in 1998 represents 64% of related revenues, a level reasonably consistent with last year.

Selling, general and administrative, and engineering and development expenses increased 7% in the first quarter from \$3,821,000 last year to \$4,088,000 in the current year because of such expenses incurred by HIA. Excluding the effect of HIA, these expenses would have totaled \$3,547,000, a 7% decrease over comparable expenses in the prior year, which reflects the cost savings generated from the restructuring and cost reduction efforts initiated by the Company in fiscal 1996 and 1997.

Liquidity and Capital Resources

The Company's liquidity position as measured by cash and cash equivalents (excluding restricted cash) increased \$590,000 during the first quarter of fiscal 1998 to a balance of \$4,021,000 at September 30, 1997, compared to \$596,000 used in the first quarter in fiscal 1997. Operating activities generated \$839,000 in the first quarter of fiscal 1998 compared to \$617,000 used in the first quarter of fiscal 1997. The improved cash from operating activities was primarily due to fluctuations in working capital balances.

Cash of \$182,000 was used by investing activities in the first quarter of 1998, compared to \$103,000 generated by investing activities last year. The variance was primarily due to the maturity of a long-term investment which was converted into cash in the first quarter of fiscal 1997, as well as increased purchases of property and equipment in fiscal 1998. Financing activities used reasonably consistent amounts \$51,000 and \$89,000 in the first quarter of 1998 and 1997, respectively.

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

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 \$4,021,000 at September 30, 1997. In addition, the Company may seek additional debt, equity or other financing, particularly if it must fully repay the Midland loan balance, in order to supplement its long-term financial resources. There can be no assurance, however, that additional debt, equity or other financing will be available on terms acceptable to the Company, or at all.

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

The Company filed a Report on Form 8-K on August 21, 1997 to provide investors with timely balance sheet and cash flow data for the year ended June 30, 1997.

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: November 14, 1997

By: /s/ Richard D. Smith

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

	3-MOS	
JUN-30-1998		
JUL-01-1997		
SEP-30-1997		4,021
	0	
	6,236	
	475	
	4,912	
	16,771	
		8,938
	7,116	
	19,539	
7,188		1,718
0		0
		100
19,539		12,251
		9,539
	9,539	
		6,325
	6,325	
	0	
	19	
	42	
	(853)	
	(264)	
(589)		
	0	
	0	
		0
	(589)	
	(0.14)	
	(0.14)	

Presented gross