

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

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 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:  
(4,283,000 as of December 31, 1997)

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

	DECEMBER 31, 1997	JUNE 30, 1997
----- (UNAUDITED) -----		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,686	\$ 3,431
Restricted cash	177	253
Trade receivables, net	7,187	6,910
Inventories, net	3,676	4,907
Other	1,513	2,034
-----		
Total current assets	16,239	17,535
Property and equipment, net	1,745	1,841
Cost in excess of net assets acquired, net	957	591
-----		
Total Assets	\$18,941	\$19,967
=====		
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Long-term debt classified as current	\$ 1,660	\$ 1,769
Accounts payable	1,565	1,843
Accrued and other current liabilities	3,447	3,329
-----		
Total current liabilities	6,672	6,941
Stockholders' Investment:		
Common stock	100	100
Additional paid-in capital	9,954	9,954
Retained earnings	6,072	6,818
Treasury stock	(3,973)	(3,971)
Other	116	125
-----		
Total Stockholders' Investment	12,269	13,026
-----		
Total Liabilities and Stockholders' Investment	\$18,941	\$19,967
=====		

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

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED DECEMBER 31,	
	1997	1996	1997	1996
Revenues	\$11,137	\$10,368	\$20,676	\$19,186
Operating costs and expenses:				
Cost of products sold	7,165	6,739	13,490	12,276
Selling	1,879	1,980	3,969	3,782
General and administrative	1,084	1,190	2,108	2,278
Engineering and development	1,001	838	1,914	1,723
Amortization of intangibles and other	87	46	148	92
Total operating costs and expenses	11,216	10,793	21,629	20,151
Operating loss	(79)	(425)	(953)	(965)
Other income (expenses), net:				
Interest and dividend income	55	42	116	114
Interest expense	(44)	(41)	(86)	(83)
Other income (expenses), net	(124)	63	(122)	41
Total other income (expenses), net	(113)	64	(92)	72
Loss before income taxes	(192)	(361)	(1,045)	(893)
Benefit for income taxes	35	135	299	292
Net loss	\$ (157)	\$ (226)	\$ (746)	\$ (601)
Basic and diluted net loss per share (Note 4)	\$ (0.04)	\$ (0.05)	\$ (0.17)	\$ (0.14)

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

	FOR THE SIX MONTHS ENDED	
	DECEMBER 31,	
	1997	1996
<hr style="border-top: 1px dashed black;"/>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (746)	\$ (601)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	414	483
Other	51	187
Changes in assets and liabilities, net of effect of purchase of Tate Integrated Systems (Note 3):		
(Increase) decrease in -		
Restricted cash	76	(64)
Receivables	(313)	(550)
Inventories	815	894
Prepaid expenses and other	521	142
Increase (decrease) in -		
Accounts payable	(278)	(502)
Accrued liabilities and other	118	(988)
Net cash from operating activities	658	(999)
<hr style="border-top: 1px dashed black;"/>		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(289)	(192)
Proceeds from maturity of marketable securities	--	198
Purchase of interest in Tate Integrated Systems (Note 3)	--	(718)
Net cash from investing activities	(289)	(712)
<hr style="border-top: 1px dashed black;"/>		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit and long-term debt	(109)	(2)
Proceeds from exercise of employee stock options	--	39
Purchase of treasury stock	(2)	(84)
Net cash from financing activities	(111)	(47)
Effect of foreign exchange rate changes on cash	(3)	51
Net increase (decrease) in cash and cash equivalents	255	(1,707)
Cash and cash equivalents at beginning of year	3,431	4,925
Cash and cash equivalents at December 31	\$ 3,686	\$ 3,218

HATHAWAY CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PREPARATION AND PRESENTATION  
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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  
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Inventories, valued at the lower of cost (first-in, first-out basis) or market, are as follows (in thousands):

	DECEMBER 31, 1997	JUNE 30, 1997
	-----	-----
Parts and raw materials, net	\$2,543	\$2,141
Finished goods and work-in process, net	1,133	2,766
	-----	-----
	\$3,676	\$4,907
	=====	=====

3. BUSINESS ACQUISITION  
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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  
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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 DECEMBER 31,		FOR THE SIX MONTHS ENDED DECEMBER 31,	
	1997	1996	1997	1996
Numerator:				
Net loss	\$ (157)	\$ (226)	\$ (746)	\$ (601)
Denominator:				
Weighted average outstanding shares	4,284	4,245	4,284	4,242
Basic and Diluted net loss per share	\$(0.04)	\$(0.05)	\$(0.17)	\$(0.14)

Options to purchase stock were outstanding during the three and six months ended December 31, 1996 and 1997 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 DECEMBER 31,		FOR THE SIX MONTHS ENDED DECEMBER 31,	
	1997	1996	1997	1996
Weighted average outstanding options	708,704	689,745	708,704	544,400
Weighted average exercise price	\$3.45	\$3.24	\$3.45	\$3.15

At December 31, 1997 outstanding options to purchase 708,704 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  
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For the second quarter ended December 31, 1997, the Company recognized a net loss of \$157,000 or \$.04 per share, compared to a net loss of \$226,000 or \$.05 per share, for the same period last year. Included in these results are net losses of \$491,000 and \$106,000 for the quarters ended December 31, 1997 and 1996, 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 income of \$334,000 and a net loss of \$120,000 for the quarters ended December 31, 1997 and 1996, respectively. Revenues increased 7% in the second quarter from \$10,368,000 last year to \$11,137,000 this year.

The Company recognized a net loss of \$746,000, or \$.17 per share, for the six months ended December 31, 1997, compared to a net loss of \$601,000, or \$.14 per share, for the six months ended December 31, 1996. Included in these results are HIA's net losses of \$943,000 and \$106,000 for the six months ended December 31, 1997 and 1996, respectively. Excluding HIA, the Company recognized net income of \$197,000 and a net loss of \$495,000 for the six months ended December 31, 1997 and 1996, respectively. Revenues for the first six months increased by 8% from \$19,186,000 in fiscal 1997 to \$20,676,000 in fiscal 1998.

The 7% increase in revenues in the second quarter and the 8% increase in revenues for the first six months were due to 15% increases in revenues from the Company's motion control products and 4% increases in revenues from the Company's power and process instrumentation products. For the first six months, the 4% increase in power and process revenues was due to revenues being generated by HIA during both quarters of 1998 compared to only one quarter during 1997, partially offset by a 3% decrease in traditional power and process revenues.

In the second quarter, sales to international customers increased from \$3,520,000 in fiscal 1997 to \$3,547,000 in fiscal 1998. In the first six months, sales to international customers decreased from \$6,949,000 to \$6,527,000. Foreign sales represented 32% and 34% of total sales in the quarter ended December 31, 1997 and 1996, respectively, and 32% and 36% of total sales in the six months ended December 31, 1997 and 1996, respectively.

Cost of products sold as a percentage of revenues in the second quarter and the first six months ended December 31, 1997 remained reasonably consistent with the prior year, decreasing from 65% to 64% in the second quarter and increasing from 64% to 65% in the first six 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 1% in the second quarter and increased 3% in the first six 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 4% in the first six 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  
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The Company's liquidity position as measured by cash and cash equivalents (excluding restricted cash) increased \$255,000 during the first six months of fiscal 1998 to a balance of \$3,686,000 at December 31, 1997, compared to \$1,707,000 used in the first six months of fiscal 1997. Operating activities generated \$658,000 in fiscal 1998 compared to \$999,000 used in fiscal 1997. The improved cash from operating activities was primarily due to fluctuations in working capital balances.

Cash of \$289,000 was used by investing activities in the second quarter of 1998, compared to \$712,000 used by investing activities last year. The variance was primarily due to \$718,000 used in fiscal 1997 for the purchase of the interest in Tate Integrated Systems, offset by the maturity of a long-term investment which was converted into cash in the second quarter of fiscal 1997. Financing activities used \$111,000 in fiscal 1998 compared to \$47,000 used in fiscal 1997.

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 \$3,686,000 at December 31, 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.

HATHAWAY CORPORATION

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual stockholders' meeting on October 23, 1997. The stockholders elected E.E. Prince, R.D. Smith, C.H. Clarridge, D.D. Hock, G.D. Hubbard and G.J. Pilmanis to serve on the Board of Directors for the coming year. In addition, the shareholders defeated a stockholder proposal requesting sale of the Company, elimination of the shareholders' rights plan and employee severance agreements, and reduction of the two-thirds voting requirement for the election of directors to a simple majority. The vote tabulation was as follows:

1) Election of Directors

NOMINEE	NUMBER OF VOTES		TOTAL SHARES OUTSTANDING	% OF SHARES VOTING FOR
	FOR	WITHELD OR AGAINST		
E.E. Prince	2,935,399	839,594	4,284,085	68%
R.D. Smith	2,973,063	801,930	4,284,085	69%
C.H. Clarridge	2,994,320	780,673	4,284,085	69%
D.D. Hock	3,050,348	724,645	4,284,085	71%
G.D. Hubbard	2,996,606	778,387	4,284,085	69%
G.J. Pilmanis	3,040,567	734,426	4,284,085	70%

2) Shareholder proposal requesting sale of the Company, elimination of the shareholders' rights plan and employee severance agreements, and reduction of the two-thirds voting requirement for the election of directors to a simple majority

	FOR	AGAINST	TOTAL VOTES COUNTED	ABSTAINING	BROKER NON-VOTES
Number of votes	993,868	2,167,186	3,161,054	50,103	563,836
% of votes counted	31%	69%	100%		

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 December 31, 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: February 13, 1997

By: /s/ Richard D. Smith

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



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1,000

3-MOS		6-MOS	
JUN-30-1998	JUN-30-1998	JUN-30-1998	JUN-30-1998
OCT-01-1997	OCT-01-1997	JUL-01-1997	JUL-01-1997
DEC-31-1997	DEC-31-1997	DEC-31-1997	DEC-31-1997
	3,686		3,686
	0		0
	7,687		7,687
	500		500
	3,676		3,676
	16,239		16,239
	9,046		9,046
	7,301		7,301
	18,941		18,941
6,672		6,672	
	1,660		1,660
0		0	
	0		0
	100		100
	12,169		12,169
18,941			
	18,941		
	11,137		20,676
	11,137		20,676
	7,165		13,490
	7,165		13,490
	0		0
	17		36
	44		86
	(192)		(1,045)
	(35)		(299)
(157)		(746)	
	0		0
	0		0
	0		0
	(157)		(746)
	(0.04)		(0.17)
	(0.04)		(0.17)

Presented gross