

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED
SEPTEMBER 30, 2001
(UNAUDITED)

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:
(4,630,587 as of September 30, 2001)

HATHAWAY CORPORATION
INDEX

Page No.	PART I. FINANCIAL INFORMATION	Item 1. Financial Statements Condensed Consolidated Balance Sheets September 30, 2001 and June 30, 2001 (Unaudited).....	1
		Consolidated Statements of Operations Three months ended September 30, 2001 and 2000 (Unaudited).....	2
		Consolidated Statements of Cash Flows Three months ended September 30, 2001 and 2000 (Unaudited)	3
		Notes to Condensed Consolidated Financial Statements (Unaudited).....	4
	Item 2. Management's Discussion and Analysis of Operating Results and Financial Condition.....		
8	PART II. OTHER INFORMATION	Item 6. Exhibits and Reports on Form 8-K.....	11

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

SEPTEMBER 30, JUNE 30, 2001 2001 - -----

ASSETS Current Assets: Cash and cash equivalents \$ 3,707 \$ 1,911
Restricted cash 413 346 Trade receivables, net of allowance for doubtful accounts of \$512 and \$496 at September 30 and June 30, 2001, respectively

6,653	7,708	Inventories, net	5,409	4,931	Deferred income taxes	554	229
Prepaid expenses and other		792	486				

Total Current Assets		17,528	15,611	Property and equipment, net		1,763	1,781
Investment in joint ventures, net		129	2,459	Other		352	352

		Total Assets		\$ 19,772	\$ 20,203		
=====							
===== LIABILITIES AND STOCKHOLDERS' =====							
INVESTMENT Current Liabilities: Line-of-credit		\$ --	\$ 553	Accounts payable		1,591	1,583
Accrued liabilities and other		3,167	3,345	Income taxes payable		558	380
Product warranty reserve		523	514				

Total Current Liabilities		5,839	6,375				

Commitments and Contingencies		Stockholders' Investment: Preferred stock, par value \$1.00 per share, authorized 5,000 shares; no shares outstanding -- -- Common stock, at aggregate state value, authorized 50,000 shares; 5,753 and 5,719 shares issued at September 30 and June 30, 2001, respectively 100 100 Additional paid-in capital 11,411 11,230 Loans receivable for stock (133) (160) Retained earnings 6,549 6,787 Cumulative translation adjustments (17) (152) Treasury stock, at cost; 1,122 shares (3,977) (3,977) - -----					
		Total Stockholders' Investment		13,933	13,828		

		Total Liabilities and Stockholders' Investment		\$ 19,772	\$ 20,203		
=====							

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001		2000			

Revenues		\$ 9,105	\$ 11,333	Cost of products sold	6,229
7,098					

		Gross margin		2,876	4,235
Operating costs and expenses: Selling		1,462	1,616	General and administrative 1,140 1,196 Engineering and development 1,157 1,134 Restructuring charge -- 328 Amortization and other -- 15 - -----	
Total operating costs and expenses		3,759	4,289		

Operating loss		(883)	(54)	Other income (expense), net: Equity income from investments in joint ventures -- 175 Gain on sale of investment in joint venture 674 -- Interest and dividend income 25 31 Interest expense (10) (40) Other expense, net (44) (17) - -----	
Total other income, net		645	149		

(Loss) income before income taxes		(238)	95	Provision for income taxes -- (86) - -----	
Net (loss) income		\$ (238)	\$ 9		
=====					
Basic and diluted net (loss) income per share		\$ (0.05)	\$ 0.00		
=====					
Basic weighted average common shares		4,614	4,468		
=====					
Diluted weighted average common shares		4,614	4,901		
=====					

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 2000 - -----	

CASH FLOWS FROM OPERATING ACTIVITIES: Net (loss) income \$	
(238)	\$ 9
Adjustments to reconcile net (loss) income to net cash used in	
operating activities: Depreciation and amortization 175 196 Provision for	
doubtful accounts 53 12	Provision for obsolete inventory 114 29
Equity income, net of dividends, from investments in joint ventures -- (175) Gain	
on sale of investment in joint venture (674) -- Deferred income tax	
benefit (325) 37	Other 83 (2)
Changes in assets and liabilities:	
(Increase) decrease in - Restricted cash (53) 4	
Trade receivables 1,061	553
Inventories, net (549) (712)	Income tax refunds receivable, prepaid
expenses and other (315) (68)	Increase (decrease) in - Accounts payable
(7) 14	Accrued liabilities and other (190) (686)
Income taxes payable 171	43
Product service reserve 6 22	-

Net cash used in operating activities (688) (724)	
CASH FLOWS FROM INVESTING	
ACTIVITIES: Purchase of property and equipment (159) (215)	
Proceeds from sale of joint venture 3,020 --	

Net cash provided by (used in) investing activities 2,861 (215)	
CASH FLOWS FROM FINANCING ACTIVITIES: Repayments on line-of-credit (553) (1,008)	
Borrowings on line-of-credit -- 63	
Repayment on loan to employee stock ownership plan 27 74	
Sale of stock to employees through stock purchase plan 106 --	
Proceeds from exercise of employee stock options -- 31	

Net cash used in financing activities (420) (840)	
Effect of foreign exchange rate changes on cash 43 (8)	

Net increase (decrease) in cash and cash equivalents 1,796 (1,787)	
Cash and cash equivalents at beginning of year 1,911 2,928	

Cash and cash equivalents at September 30 \$ 3,707 \$ 1,141	
=====	
=====	

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 and its wholly-owned subsidiaries (the Company). All significant inter-company accounts and transactions have been eliminated in consolidation.

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 which are prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States 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, 2001 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, JUNE 30, 2001	2001	-----	

Parts and raw materials, net \$	3,563	\$ 3,251	
Finished goods and work-in process, net	1,846	1,680	----

	-----	\$	
	5,409	\$ 4,931	
	=====		
	=====		

3. BASIC AND DILUTED (LOSS) INCOME PER SHARE

In accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" (EPS), basic and diluted EPS have been computed as follows (in thousands, except per share data):

BASIC EPS COMPUTATION FOR THE	
THREE MONTHS ENDED SEPTEMBER 30,	
2001	2000
-----	-----
----- Numerator: Net	
(loss) income \$ (238) \$ 9	
Denominator: Basic weighted	
average outstanding shares 4,614	
4,468	

Basic (loss) income per	
share \$ (0.05) \$ 0.00	
=====	
=====	

3. BASIC AND DILUTED (LOSS) INCOME PER SHARE (CONTINUED)

DILUTED EPS COMPUTATION FOR THE	
THREE MONTHS ENDED SEPTEMBER 30,	
2001	2000
-----	-----
----- Numerator: Net	
(loss) income \$ (238) \$ 9	
Denominator: Diluted weighted	
average outstanding shares 4,614	
4,901	

Diluted net (loss)	
income per share \$ (0.05) \$ 0.00	
=====	
=====	

For the three months ended September 30, 2001, stock options to purchase 508,137 shares of common stock were excluded in the calculation of diluted loss per share since the result would have been anti-dilutive. For the three months ended September 30, 2000, stock

options to purchase 708,913 shares of common stock, 432,000 after application of the treasury stock method, were included in the calculation of diluted income per share.

4. SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company operates in two different segments: Power and Process Business (Power and Process) and Motion Control Business (Motion Control). Management has chosen to organize the Company around these segments based on differences in products and services.

The following tables provide information on the Company's segments (in thousands):

FOR THE
THREE
MONTHS
ENDED
SEPTEMBER

30, -----

2001 2000

POWER AND
MOTION
POWER AND
MOTION
PROCESS
CONTROL
PROCESS
CONTROL --

Revenues
from
external
customers
\$ 5,459 \$
3,646 \$
5,664 \$
5,669 Gain
on sale of
investment
in joint
venture
674 -- --
-- Equity
income
from
investments
in joint
ventures -
- -- 175 -
- (Loss)
income
before
income
taxes
(499) 6

(1,259)
1,152

AS OF
SEPTEMBER
30, 2001 AS
OF JUNE 30,
2001 -----

POWER AND
MOTION
POWER AND
MOTION
PROCESS
CONTROL
PROCESS
CONTROL ---

Identifiable
assets \$
9,897 \$
6,787 \$
12,142 \$
6,532

4. SEGMENT INFORMATION (CONTINUED)

The following is a reconciliation of segment information to consolidated information:

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2001 2000 -----

Segments' loss before income
taxes \$ (493) \$ (107) Corporate
activities 255 202 -----
----- Consolidated
(loss) income before income taxes
\$ (238) \$ 95
=====

AS OF AS OF SEPTEMBER 30, JUNE
30, 2001 2001 -----

Segments'
identifiable assets \$ 16,684 \$
18,674 Corporate assets and
eliminations 3,088 1,529 -----

Consolidated total assets \$
19,772 \$ 20,203
=====

5. COMPREHENSIVE LOSS

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by and distributions to shareholders.

Comprehensive loss is computed as follows (in thousands):

FOR THE THREE MONTHS ENDED	
SEPTEMBER 30, 2001 2000 ---	

Net (loss) income \$ (238) \$	
9 Translation adjustment	
135 (110) -----	
----- Comprehensive	
loss \$ (103) \$ (101)	
=====	

6. INVESTMENT IN JOINT VENTURES

On July 5, 2001, the Company completed the sale of its 20% equity interest in Hathaway Si Fang Protection and Control Company, Ltd. (Si Fang) for \$3,020,000 in cash. The sale became effective upon receipt of the net proceeds in U.S. dollars and the required approvals from the State Administration of Foreign Exchange in China. The Company sold its interest to Beijing Si Fang Tongchuang Protection and Control Co., Ltd. (Tongchuang), a Chinese company. Prior to the sale, Tongchuang held a 22% interest in Si Fang.

The Company recorded a pretax gain on the sale, net of selling costs, of \$674,000, or \$.15 per basic or diluted share, in the first quarter ending September 30, 2001 and equity income of \$175,000, or \$.04 per basic and diluted share in the first quarter last year. These amounts are included in other income in the Company's consolidated financial statements.

6

7. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that all business combinations be accounted for using the purchase method of accounting. The use of the pooling-of-interest method of accounting for business combinations is prohibited. The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001. The Company will account for any future business combinations in accordance with SFAS No. 141.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting for goodwill and intangible assets and requires that goodwill no longer be amortized but be tested for impairment at least annually at the reporting unit level in accordance with SFAS No. 142. Goodwill must also be reviewed for impairment when certain events indicate that the goodwill may be impaired. Recognized intangible assets should, generally, be amortized over their useful life and reviewed for impairment in accordance with SFAS No. 121. Because the Company is a noncalendar year-end company, the FASB has allowed adoption of SFAS No. 142 either in fiscal year 2002 or fiscal year 2003, except for provisions related to the nonamortization and amortization of goodwill and intangible assets acquired after June 30, 2001, which will be subject immediately to the provisions of SFAS No. 142. The Company will adopt SFAS No. 142 on July 1, 2002. The Company has not yet quantified the effects of adopting SFAS No. 142 on its financial position or results of operations.

In August 2001, the FASB approved SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 did not address the accounting for a segment of a business accounted for as a discontinued operation which resulted in two accounting models for long-lived assets to be disposed of. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company will adopt SFAS No. 144 on July 1, 2002, but has not yet quantified the effects of adopting SFAS No. 144 on its financial position or results of operations.

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. FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, ANY STATEMENT THAT MAY PREDICT, FORECAST, INDICATE, OR IMPLY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS, AND MAY CONTAIN THE WORD "BELIEVE," "ANTICIPATE," "EXPECT," "PROJECT," "INTEND," "WILL CONTINUE," "WILL LIKELY RESULT," "SHOULD" OR WORDS OR PHRASES OF SIMILAR MEANING. FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE THE ACTUAL RESULTS OF THE COMPANY TO DIFFER MATERIALLY FROM THE FORWARD-LOOKING STATEMENTS. THESE RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, THE FOLLOWING: INTERNATIONAL, NATIONAL AND LOCAL GENERAL BUSINESS AND ECONOMIC CONDITIONS IN THE COMPANY'S MOTION CONTROL, PROCESS AND POWER MARKETS, INTRODUCTION OF NEW TECHNOLOGIES, PRODUCTS AND COMPETITORS, THE ABILITY TO PROTECT THE COMPANY'S INTELLECTUAL PROPERTY, THE ABILITY OF THE COMPANY TO SUSTAIN, MANAGE OR FORECAST ITS GROWTH AND PRODUCT ACCEPTANCE, THE CONTINUED SUCCESS OF THE COMPANY'S CUSTOMERS TO ALLOW THE COMPANY TO REALIZE REVENUES FROM ITS ORDER BACKLOG AND TO SUPPORT THE COMPANY'S EXPECTED DELIVERY SCHEDULES, THE CONTINUED VIABILITY OF THE COMPANY'S CUSTOMERS AND THEIR ABILITY TO ADAPT TO CHANGING TECHNOLOGY AND PRODUCT DEMAND, THE ABILITY OF THE COMPANY TO MEET THE TECHNICAL SPECIFICATIONS OF ITS CUSTOMERS, THE CONTINUED AVAILABILITY OF PARTS AND COMPONENTS, INCREASED COMPETITION AND CHANGES IN COMPETITOR RESPONSES TO THE COMPANY'S PRODUCTS AND SERVICES, CHANGES IN GOVERNMENT REGULATIONS, AVAILABILITY OF FINANCING, THE ABILITY OF THE COMPANY'S LENDERS AND FINANCIAL INSTITUTIONS TO PROVIDE ADDITIONAL FUNDS IF NEEDED AND THE ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL WHO CAN DESIGN NEW APPLICATIONS AND PRODUCTS FOR THE MOTION CONTROL AND POWER INDUSTRIES. DEREGULATION AND CHANGES IN DEMOGRAPHIC PATTERNS AND WEATHER CONDITIONS HAVE CHANGED THE PRODUCT NEEDS AND REQUIREMENTS OF THE POWER INDUSTRY AND NEW PRODUCTS ARE BEING INTRODUCED ON A REGULAR BASIS. THEY ARE OFTEN PRODUCTS FOR IMPROVING THE EFFICIENCY AND RELIABILITY OF THE POWER SYSTEMS AND INCLUDE PRODUCTS THAT AUTOMATE AND IMPROVE THE AVAILABILITY OF INFORMATION REGARDING THE PERFORMANCE OF THE POWER SYSTEM. THE COMPANY'S ABILITY TO COMPETE IN THIS MARKET DEPENDS UPON ITS CAPACITY TO ANTICIPATE THE NEED FOR NEW PRODUCTS, AND TO CONTINUE TO DESIGN AND MARKET THOSE PRODUCTS TO MEET CUSTOMERS' NEEDS IN A COMPETITIVE WORLD.

NEW RISK FACTORS EMERGE FROM TIME TO TIME AND IT IS NOT POSSIBLE FOR MANAGEMENT TO PREDICT ALL SUCH RISK FACTORS, NOR CAN IT ASSESS THE IMPACT OF ALL SUCH RISK FACTORS ON ITS BUSINESS OR THE EXTENT TO WHICH ANY FACTOR, OR COMBINATION OF FACTORS, MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENTS. THE COMPANY'S EXPECTATIONS, BELIEFS AND PROJECTIONS ARE EXPRESSED IN GOOD FAITH AND ARE BELIEVED TO HAVE A REASONABLE BASIS; HOWEVER, THE COMPANY MAKES NO ASSURANCE THAT EXPECTATIONS, BELIEFS OR PROJECTIONS WILL BE ACHIEVED.

BECAUSE OF THE RISKS AND UNCERTAINTIES, INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS AS A PREDICTION OF ACTUAL RESULTS. THE COMPANY HAS NO OBLIGATION OR INTENT TO RELEASE PUBLICLY ANY REVISIONS TO ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE.

OPERATING RESULTS

The Company recorded a net loss for the first quarter ended September 30, 2001 of \$238,000 or \$.05 per share compared to net income of \$9,000 or \$.00 per share for the same period last year. The decrease in results is due to the continued worldwide economic slowdown and is partially offset by a gain on the sale of our largest Chinese joint venture investment.

Revenues decreased 20% in the first quarter to \$9,105,000 this year from \$11,333,000 last year. The 20% decrease in revenues was due to a 36% decrease in revenues from the Company's motion control products and a 4% decrease in revenues from the Company's power and process instrumentation and systems automation businesses.

Motion Control realized pretax profit of \$6,000 on revenues of \$3,646,000 for the first quarter of fiscal year 2002 compared with a pretax profit of \$1,152,000 on revenues of \$5,669,000 for the same period last year. The 36% decrease in Motion Control revenues is due to the adverse effects of the continued economic slowdown, especially in the telecommunications and

semiconductor processing industries. The segment has recently been awarded new orders for products to be used in the military, medical, automotive and

industrial automation markets. At September 30, 2001, backlog for Motion Control orders was 35% higher than at the end of the first quarter last year and orders received during the quarter were 25% higher than the first quarter last year.

Power and Process reported revenues of \$5,459,000 and a pretax loss of \$499,000 for the first quarter of fiscal year 2002 compared with revenues of \$5,664,000 and a pretax loss of \$1,259,000 for the first quarter last year. The decrease reflects a decline in revenues from systems automation products partially offset by a 24% increase in revenues from power and process instrumentation. The segment's first quarter results this year contain a \$674,000 pretax gain from the sale of our 20% interest in Hathaway Si Fang Protection and Control Company, Ltd. (Si Fang), compared with \$175,000 equity income from Si Fang included in the first quarter last year. Last year's Power and Process results include a pretax restructuring charge of \$328,000. Without the gain or income from Si Fang or the restructuring charge, the Power and Process segment reported a pretax loss of \$1,173,000 compared with a pretax loss of \$1,106,000 last year. At September 30, 2001 backlog for Power and Process orders was \$8,393,000 which is down 31% from the same time last year and represents a decline in systems automation backlog. The decrease in systems automation revenues and backlog is a result of the Company's decision to shift the focus of the systems automation business to power generation and transmission automation systems and away from industrial automation applications. The new power business is not accelerating as quickly as the industrial projects are being completed. The future growth in revenues for the systems automation business is highly dependent on the continued growth in the power applications side of this business.

Sales to international customers increased to 35% of total sales in the first fiscal quarter of this year from 31% in the first fiscal quarter of last year. Foreign sales of motion control products decreased to \$1,327,000 in the first quarter of this year from \$1,853,000 in the first quarter of last year, representing 36% and 33% of total motion control product sales in the first quarter this year and last year, respectively. Foreign sales for Power and Process increased to \$1,842,000 in the first quarter of this year from \$1,686,000 in the first quarter of last year, representing 34% and 30% of total Power and Process sales in the first quarter of this year and last year, respectively.

Gross product margins from Motion Control for the first quarter this year decreased to 26% from 39% for the first quarter last year due to the large decrease in sales volume for our Motion Control business while the margins from Power and Process remained constant resulting in an overall decrease in total gross product margins to 32% from 37% last year.

Selling expenses, general and administrative and amortization of intangibles decreased 8% in the first quarter of fiscal 2002 compared to the first quarter last year as a result of savings from continued cost reduction efforts by the Company. Engineering and development costs increased 2% during the first quarter this year compared to the first quarter last year.

During the first quarter, the Company completed the sale of our 20% equity interest in Si Fang, the largest of our Chinese joint venture investments. The sale price for our investment was \$3,020,000 and the company recognized a pretax gain of \$674,000. During the first quarter last year, the Company recognized \$175,000 equity income from the joint venture. Si Fang had begun the process of becoming a publicly traded company in the Chinese stock market and was encountering difficulties with a successful IPO due to the foreign ownership by Hathaway. In addition, Si Fang had begun developing product lines and engaging in business transactions which were not compatible with Hathaway's business. Accordingly, the largest owner in Si Fang made an offer to buy out Hathaway's interest and the Company felt this was the optimal time and structure to dispose of the investment. The proceeds received from the sale will be used to look for other opportunities to expand the Company, including investing in internal growth as well as pursuing complementary acquisitions.

In the quarter ended September 30, 2001, the Company recognized no provision for or benefit from income taxes compared to a provision for income taxes of \$86,000 recognized last year. The effective rate used to

calculate income taxes is based on projected income and differs from statutory amounts primarily due to losses in foreign jurisdictions that cannot be benefited.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity position as measured by cash and cash equivalents (excluding restricted cash) increased \$1,796,000 during the first quarter of fiscal 2002 to \$3,707,000 at September 30, 2001. This increase compares to \$1,787,000 used in the same period last year. This difference is largely due to differences in activities from our Si Fang joint venture and debt repayments. During this year's first quarter, \$3,020,000 was received from the sale of our 20% ownership in Si Fang, compared to \$0 received last year. Repayments to pay off the Company's line of credit totaled \$553,000 during the first quarter this year compared to \$945,000 net repayments in the first quarter last year. Excluding the sale of Si Fang and net repayments on the line of credit, cash used in the first quarter of fiscal 2002 was \$671,000 compared to \$842,000 used during the same period last year.

The Company expects to fund its remaining fiscal 2002 working capital, capital expenditure and debt service requirements from the existing cash balance of \$3,707,000 and the \$2,619,000 available under the financing agreement at September 30, 2001. The Company believes that such amounts are sufficient to fund operations and working capital needs for at least the next twelve months. The Company's financing agreement with Silicon Valley Bank matures on May 7, 2002 but will continue for successive additional terms of one year unless either party gives notice of termination at least sixty days before the maturity date. The Company has not received notice of termination and does not anticipate receiving or giving such notice, however, if such notice was received, the Company would pursue other lenders to meet its long-term financing needs. Although the Company believes it would be successful in its efforts to obtain alternate financing, there are no assurances that it will be successful in doing so. An inability to obtain such alternate financing may have a material adverse effect on the Company's results of operations and financial condition and could require the Company to implement various strategic alternatives.

10

HATHAWAY CORPORATION

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10. Agreement for Assignment of Equity Interest in Hathaway Si Fang Protection and Control Co., Ltd. *
13. Annual Report containing Notes to Consolidated Financial Statements in the Registrant's June 30, 2001 Annual Report to Stockholders. *

*These documents were filed with the Securities and Exchange Commission and are incorporated herein by reference.

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the three months ended September 30, 2001:

1. Form 8-K dated July 5, 2001 reporting the sale of the Company's 20% equity interest in Hathaway Si Fang Protection and Control Co., Ltd. (Si Fang) for \$3,020,000 in cash.
2. Amendment No. 1 to Form 8-K dated August 31, 2001 presenting unaudited pro forma financial information to give effect to the sale of the Company's joint venture investment in Si Fang as if it had occurred on July 1, 1999. The financial statements included were the unaudited pro forma consolidated balance sheet as of March 31, 2001 and the unaudited pro forma consolidated statements of operations for the year ended June 30, 2000 and the nine months ended March 31, 2001.

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, 2001

By: /s/ Richard D. Smith

President, Chief Executive Officer and
Chief Financial Officer