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, 1998 (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:
(4,283,000 as of September 30, 1998)

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

	SEPTEMBER 30, 1998	JUNE 30, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,741	$ 3,443
Restricted cash	581	480
Trade receivables, net	6,193	6,400
Inventories, net	3,571	3,649
Other	1,747	1,463
Total current assets	13,833	15,435
Property and equipment, net	1,789	1,730
Cost in excess of net assets acquired, net	504	374
Other long-term assets	168	281
Total Assets	$16,294	$17,820
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 1,702	$ 2,027
Accrued and other current liabilities	3,034	2,975
Income taxes payable	563	497
Total current liabilities	5,299	5,499
Line of credit	1,138	1,245
Total Liabilities	6,437	6,744
Stockholders' Investment:		
Common stock	100	100
Additional paid-in capital	9,954	9,954
Loans receivable for stock	(235)	(235)
Retained earnings	3,534	4,841
Cumulative translation adjustments	477	389
Treasury stock	(3,973)	(3,973)
Total Stockholders' Investment	9,857	11,076
Total Liabilities and Stockholders' Investment	$16,294	$17,820

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

	For the three months ended September 30, 1998	1997
Revenues	$ 9,118	$ 9,539
Operating costs and expenses:		
Cost of products sold	6,214	6,325
Selling	1,733	2,090
General and administrative	1,154	1,024
Engineering and development	1,123	913
Amortization of intangibles	59	61
Total operating costs and expenses	10,283	10,413
Operating loss	(1,165)	(874)
Other income (expenses), net:		
Interest and dividend income	36	61
Interest expense	(38)	(42)
Other income (expenses), net	(135)	2
Total other income (expense), net	(137)	21
Loss before income taxes	(1,302)	(853)
Benefit (provision) for income taxes	(5)	264
Net loss	$(1,307)	$ (589)
Basic and diluted net loss per share	$(0.31)	$(0.14)
Basic and diluted weighted average shares outstanding	4,283	4,284

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

	For the three months ended September 30, 1998	1997
Cash Flows From Operating Activities:		
Net loss	$(1,307)	$ (589)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	261	252
Other	137	(40)
Changes in assets and liabilities, net of effect of purchase of Ashurst Logistic Electronics Limited (Note 3):		
(Increase) decrease in -		
Restricted cash	(101)	31
Receivables	335	1,130
Inventories	78	(421)
Prepaid expenses and other	(290)	178
Increase (decrease) in -		
Accounts payable	(370)	516
Accrued liabilities and other	38	(218)
Net cash from operating activities	(1,219)	839
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(250)	(182)
Dividend from joint venture investment	120	--
Purchase of Ashurst Logistic Electronics Limited, net of cash acquired (Note 3)	(258)	--
Net cash from investing activities	(388)	(182)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	(150)	(51)
Borrowings on line of credit	43	--
Net cash from financing activities	(107)	(51)
Effect of foreign exchange rate changes on cash	12	(16)
Net increase (decrease) in cash and cash equivalents	(1,702)	590
Cash and cash equivalents at beginning of year	3,443	3,431
Cash and cash equivalents at September 30	$ 1,741	$4,021

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

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 inter-company accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior year balances in order to conform with 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 which 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, 1998 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, 1998	JUNE 30, 1998
Parts and raw materials, net	$2,432	$2,210
Finished goods and work-in process, net	1,139	1,439
	$3,571	$3,649

3. BUSINESS ACQUISITION

Effective July 1, 1998, a wholly-owned subsidiary of the Company acquired all the outstanding shares of Ashurst Logistic Electronics Limited of Bournemouth, England (Ashurst) for $294,000 in cash. Ashurst manufactures drive electronics and position controllers for a variety of motor technologies as well as a family of static frequency converters for military and aerospace applications and has extensive experience in power electronics design and software development required for the application of specialized drive electronics technology. For calendar year ended December 31, 1997, Ashurst reported revenues of $353,000. The acquired company was renamed Emoteq UK Limited.

3. BUSINESS ACQUISITION (CONTINUED)

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 preliminary net purchase price allocation is as follows (in thousands):

Cash	$ 36
Trade receivables, net	190
Prepaid expenses	2
Property and equipment, net	25
Cost in excess of net assets acquired	172
Accounts payable	43
Accrued liabilities and other	88
Net purchase price	$ 294

4. EARNINGS 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):

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1998	1997
Numerator:		
Net loss	$ (1,307)	$ (589)
Denominator:		
Weighted average outstanding shares	4,283	4,284
Basic and Diluted net loss per share	$ (0.31)	$ (0.14)

Options to purchase stock were outstanding during the three months ended September 30,1998 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 SEPTEMBER 30, 1998	1997
Weighted average outstanding options	749,000	709,000
Weighted average exercise price	$ 3.16	$ 3.45

At September 30, 1998 outstanding options to purchase 838,000 shares at a weighted average exercise price of $3.02 may have a dilutive effect on future EPS.

5. SEGMENT INFORMATION

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 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.

5. SEGMENT INFORMATION (CONTINUED)

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,			
	1998		1997	
	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL
Revenues from external customers	$ 6,062	$3,056	$ 6,224	$3,315
Income (loss) before income taxes	(1,151)	(94)	(1,280)	306

	AS OF SEPTEMBER 30, 1998		AS OF JUNE 30, 1998	
	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL
Identifiable assets	$9,870	$4,695	$9,985	$3,969

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1998	1997
Segments' loss before income taxes	$(1,245)	$ (974)
Corporate activities	(57)	121
Consolidated loss before income taxes	$(1,302)	$ (853)

	AS OF SEPTEMBER 30, 1998	As of JUNE 30, 1998
Segments' identifiable assets	$14,565	$13,954
Corporate assets and eliminations	1,729	3,866
Consolidated total assets	$16,294	$17,820

6. COMPREHENSIVE LOSS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," (SFAS 130). SFAS 130 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 owners and distributions to owners.

The Company adopted SFAS 130 as of July 1, 1998. In addition to net loss, the cumulative translation adjustment is the only additional item considered as part of the Company's comprehensive loss. Comprehensive loss is computed as follows (in thousands):

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1998	1997

Net loss	$(1,307)	$(589)
Translation adjustment	88	(86)
Comprehensive loss	(1,219)	(675)

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, 1998, the Company recognized a net loss of $1,307,000 or $.31 per share, compared to a net loss of $589,000 or $.14 per share, for the same period last year. Revenues decreased 4% in the first quarter from $9,539,000 last year to $9,118,000 this year.

The increase in the net loss for the quarter ended September 30, 1998 as compared to 1997 resulted from the operating results of the Motion Control segment (Motion Control) declining from a pretax profit of $306,000 for the first quarter of last fiscal year to a pretax loss of $94,000 for the first quarter ended September 30, 1998, partially offset by an improvement in the operating results of the Power and Process segment (Power and Process) from a pretax loss of $1,280,000 last year to a pretax loss of $1,151,000 for the first quarter of the current fiscal year.

The 4% decrease in revenues was due to a 3% decrease in revenues from Power and Process and an 8% decrease in revenues from Motion Control. The decrease in Power and Process revenues was due to a 27% decrease in sales from the process instrumentation products group, offset by an 11% increase in revenues generated by power instrumentation and systems automation products. The decrease in process instrumentation product sales was caused primarily by the delay in the shipment of an order for a new product. The increase in sales of power instrumentation products was due to timing of orders received and shipments. The decrease in Motion Control revenues was primarily due to decreased orders resulting from the Asian economic crisis and the slow down in the semi-conductor industry. Sales to international customers increased from 31% of total sales in the first fiscal quarter of last year to 36% in the first fiscal quarter of this year. The increase was due to the acquisition of Ashurst Logistic Electronics Limited (Ashurst) of Bournemouth, England on July 1, 1998, as well as increased international sales from Motion Control.

Cost of products sold increased from 66% in the first quarter of fiscal 1998 to 68% in fiscal 1999 primarily because of a decrease in revenues without a proportionate decrease in fixed costs. Selling, general and administrative, and engineering and development expenses decreased slightly from $4,088,000 in the first quarter of last fiscal year to $4,069,000 in the first quarter of this fiscal year.

In the quarter ended September 30, 1998, the Company recognized a $5,000 provision for income taxes compared to a benefit for income taxes of $264,000 recognized last year. The decrease is primarily due to an increase in the valuation allowance for the net deferred tax assets of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity position as measured by cash and cash equivalents (excluding restricted cash) decreased $1,702,000 during the first quarter of fiscal 1999 to a balance of $1,741,000 at September 30, 1998, compared to $590,000 generated in the first quarter of fiscal 1998. Operating activities used $1,219,000 in the current fiscal year, compared to $839,000 generated in the first quarter of fiscal 1998. The increased use of cash was primarily due to an increased net loss, as well as fluctuations in working capital balances. The Company expects the usage of cash to decrease during the balance of the year in line with the expected improvement in the operating results.

Cash of $388,000 was used by investing activities in the first quarter of fiscal 1999, compared to $182,000 used in investing activities last year. The variance was due to cash used for the purchase of Ashurst, as well as an increase in property and equipment purchases, offset by a dividend received from a joint venture investment during the first quarter of fiscal 1999.

Cash used for financing activities increased from $51,000 in the first quarter of fiscal 1998 to $107,000 in fiscal 1999, due to increased repayments on the line of credit.

The Company's remaining fiscal 1999 working capital, capital expenditure and debt service requirements are expected to be funded from the existing cash balance of $1,741,000 and the $1,002,000 available under the long-term financing agreement. The Company believes that such amounts are sufficient to fund operations and working capital needs for at least the next twelve months.

YEAR 2000 COMPLIANCE

Some computers and computer-based systems use only the last two digits to identify a year in the date field and cannot distinguish the year 2000 from the year 1900. The Company recognizes that the Year 2000 poses a challenge to the proper functioning of computer systems included in its products, items purchased from its suppliers and software systems used in its business. The Company is taking what it believes to be appropriate steps necessary in preparation for Year 2000 issues. The Company has assessed its products and application software systems and has concluded that no major changes or updates are required. Minor modifications and updates are being made as needed. An assessment of its suppliers and service providers is ongoing and is expected to be completed by June 30, 1999. The Company does not anticipate that the overall costs of adaptation of its products and systems will be material, however the Company will continue to review on an ongoing basis whether it needs to further address any anticipated costs, problems and uncertainties associated with Year 2000 consequences.

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, 1998 Annual Report to Stockholders.

27. Financial Data Schedule.
    *This document was filed with the Securities and Exchange Commission and is incorporated herein by reference.

(b) Reports on Form 8-K
A report on Form 8-K was filed on August 24, 1998 to announce the appointment of Richard D. Smith as President and CEO of the Company. Mr. Smith succeeded Eugene E. Prince who retired from his employment with the Company effective August 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: November 12, 1998

By: /s/ Richard D. Smith
President, Chief Executive Officer and
Chief Financial Officer

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JUN-30-1999
JUL-01-1998
SEP-30-1999
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6,745
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3,571
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Presented gross