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 MARCH 31, 1999 (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 March 31, 1999)

HATHAWAY CORPORATION

INDEX

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

	MARCH 31, 1999	JUNE 30, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,155	$ 3,443
Restricted cash	635	480
Trade receivables, net	7,561	6,400
Inventories, net	3,782	3,649
Other	1,454	1,463
Total current assets	14,587	15,435
Property and equipment, net	1,750	1,730
Cost in excess of net assets acquired, net	425	374
Other long-term assets	172	281
Total Assets	$ 16,934	$ 17,820
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 2,537	$ 2,027
Accrued and other current liabilities	4,226	3,472
Total current liabilities	6,763	5,499
Line of credit	1,234	1,245
Total Liabilities	7,997	6,744
Stockholders' Investment:		
Common stock	100	100
Additional paid-in capital	9,954	9,954
Loans receivable for stock	(235)	(235)
Retained earnings	2,809	4,841
Cumulative translation adjustment	282	389
Treasury stock	(3,973)	(3,973)
Total Stockholders' Investment	8,937	11,076
Total Liabilities and Stockholders' Investment	$ 16,934	$ 17,820

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

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE NINE MONTHS ENDED MARCH 31,	
	1999	1998	1999	1998
Revenues	$ 10,550	$ 9,804	$ 30,207	$ 30,480
Operating costs and expenses:				
Cost of products sold	6,909	6,245	19,728	19,701
Selling	1,731	1,911	5,428	5,955
General and administrative	1,126	1,043	3,393	3,076
Engineering and development	1,110	1,146	3,333	3,094
Amortization of intangibles and other	59	89	175	237
Total operating costs and expenses	10,935	10,434	32,057	32,063
Operating loss	(385)	(630)	(1,850)	(1,583)
Other income (expenses), net:				
Interest and dividend income	33	39	86	155
Interest expense	(28)	(38)	(99)	(124)
Other income (expenses), net	(4)	(61)	(173)	(183)
Total other income (expenses), net	1	(60)	(186)	(152)
Loss before income taxes	(384)	(690)	(2,036)	(1,735)
Benefit (provision) for income taxes	5	--	4	299
Net loss	$ (379)	$ (690)	$ (2,032)	$ (1,436)
Basic and diluted net loss per share (Note 4)	$ (0.09)	$ (0.16)	$ (0.47)	$ (0.33)
Basic and diluted weighted average shares outstanding	4,284	4,284	4,284	4,283

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

	FOR THE NINE MONTHS ENDED MARCH 31, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,032)	$(1,436)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	725	694
Other	2	101
Changes in assets and liabilities, net of effect in 1999 of purchase of Ashurst Logistic Electronics Limited (Note 3):		
(Increase) decrease in -		
Restricted cash	(155)	(227)
Receivables	(1,033)	(130)
Inventories	(133)	454
Prepaid expenses and other	(1)	575
Increase (decrease) in -		
Accounts payable	468	495
Accrued liabilities and other	672	194
Net cash from operating activities	(1,487)	720
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(616)	(514)
Dividend from joint venture investment	121	--
Purchase of interest in Ashurst Logistic Electronics Limited, net of cash acquired (Note 3)	(281)	--
Net cash from investing activities	(776)	(514)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	(150)	(562)
Borrowings on line of credit	139	--
Purchase of treasury stock	--	(2)
Net cash from financing activities	(11)	(564)
Effect of foreign exchange rate changes on cash	(14)	2
Net increase (decrease) in cash and cash equivalents	(2,288)	(356)
Cash and cash equivalents at beginning of year	3,443	3,431
Cash and cash equivalents at March 31	$ 1,155	$ 3,075

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 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):

	MARCH 31, 1999	JUNE 30, 1998
Parts and raw materials, net	$ 2,466	$ 2,210
Finished goods and work-in process, net	1,316	1,439
	$ 3,782	$ 3,649

3. BUSINESS ACQUISITION

Effective July 1, 1998, Emoteq Corporation, a wholly-owned subsidiary of the Company, acquired all the outstanding shares of Ashurst Logistic Electronics Limited of Bournemouth, England (Ashurst) for $317,000 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. 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, which is subject to adjustment, 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	195
Accounts payable	(43)
Accrued liabilities and other	(88)
Net purchase price	$ 317

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 MARCH 31, 1999	FOR THE THREE MONTHS ENDED MARCH 31, 1998	FOR THE NINE MONTHS ENDED MARCH 31, 1999	FOR THE NINE MONTHS ENDED MARCH 31, 1998
Numerator:				
Net loss	$ (379)	$ (690)	$ (2,032)	$ (1,436)
Denominator:				
Weighted average outstanding shares	4,284	4,284	4,284	4,283
Basic and Diluted net loss per share	$ (0.09)	$ (0.16)	$ (0.47)	$ (0.33)

At March 31, 1999 and 1998, stock options totaling 832,204 and 702,704, respectively, were excluded from the calculation of diluted earnings (loss) per share since the result would have been anti-dilutive.

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 markets, products and services.

5. SEGMENT INFORMATION (CONTINUED)

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

	For the Three Months Ended March 31, 1999		For the Three Months Ended March 31, 1998		For the Nine Months Ended March 31, 1999		For the Nine Months Ended March 31, 1998	
	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL
Revenues from external customers	$ 7,349	$ 3,201	$ 6,471	$ 3,333	$20,892	$ 9,315	$20,168	$10,312
Income (loss) before income taxes	(521)	134	(1,333)	413	(2,112)	110	(3,294)	1,387

	AS OF MARCH 31, 1999 POWER AND PROCESS	AS OF MARCH 31, 1999 MOTION CONTROL	AS OF JUNE 30, 1998 POWER AND PROCESS	AS OF JUNE 30, 1998 MOTION CONTROL
Identifiable assets	$ 10,611	$ 4,771	$ 9,985	$ 3,969

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

	For the Three Months Ended March 31, 1999	For the Three Months Ended March 31, 1998	For the Nine Months Ended March 31, 1999	For the Nine Months Ended March 31, 1998
Segments' loss before income taxes	$ (387)	$ (920)	$ (2,002)	$ (1,907)
Corporate activities	3	230	(34)	172
Consolidated loss before income taxes	$ (384)	$ (690)	$ (2,036)	$ (1,735)

	AS OF MARCH 31, 1999	AS OF JUNE 30, 1998
Segments' identifiable assets	$ 15,382	$ 13,954
Corporate assets and eliminations	1,552	3,866
Consolidated total assets	$ 16,934	$ 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.

Comprehensive loss is computed as follows (in thousands):

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE NINE MONTHS ENDED MARCH 31,	
	1999	1998	1999	1998
Net loss	$ (379)	$ (690)	$ (2,032)	$ (1,436)
Translation adjustment	(115)	(1)	(107)	29
Comprehensive loss	$ (494)	$ (691)	$ (2,139)	$ (1,407)

7. INCOME TAX RULING REQUEST

In June 1998, the Company filed a request for an income tax ruling by the Internal Revenue Service (IRS) with respect to the tax-free treatment of the possible spinoff of its Power, Systems and Process Business. The proposed spinoff would separate the Company's Power, Systems and Process Business from its Motion Control Business. Prior to the spinoff, the Power, Systems and Process Business will be organized under one of Hathaway's subsidiaries, Hathaway Systems Corporation (HSC). If such transaction were to occur, all of the outstanding shares of HSC would be distributed to the Hathaway shareholders, and thereafter, the Power, Systems and Process Business would operate as a separate publicly-owned company under the name of Hathaway Corporation and the Motion Control Business would operate as a separate publicly-owned company under the name of Hathaway Motion Control Corporation.

In December 1998, the IRS issued a favorable ruling on the proposed transaction. The primary purpose for the spinoff would be to obtain additional bank financing. The final decision as to whether to proceed with the spinoff will be made by the Company's Board of Directors only after approval is obtained from the Company's lenders and after consideration of all relevantother factors at that time. Because management has not committed to such spinoff, the Power and Process Business has not been treated as a discontinued operation.

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, 1999, the Company recognized a net loss of $379,000, or $.09 per share, compared to a net loss of $690,000, or $.16 per share, for the same period last year. Revenues increased 78% in the third quarter from $9,804,000 last year to $10,550,000 this year.

The Company recognized a net loss of $2,032,000, or $.47 per share, for the nine months ended March 31, 1999, compared to a net loss of $1,436,000, or $.33 per share, for the nine months ended March 31, 1998. Revenues for the first nine months decreased by less than 1% from $30,480,000 in fiscal 1998 to $30,207,000 in fiscal 1999.

The 8% increase in revenues in the third quarter and the small decrease in the first nine months were due to 14% and 4% increases, respectively, in the Company's revenues from power and process products offset by 4% and 10% decreases, respectively, in revenues from the Company's motion control products. The increases in power and process revenues were primarily due to increases in systems automation business and revenues from new products. The decreases in motion control revenues were primarily due to decreased orders resulting from the Asian economic crisis and the slow down in the semiconductor industry.

Sales to international customers decreased from $3,719,000 in the third quarter of the prior year, to $2,960,000 in the third quarter of the current year. In the first nine months, sales to international customers decreased from $10,246,000 in fiscal year 1998 to $9,566,000 in fiscal year 1999. Foreign sales represented 28% of total sales in the third quarter ended March 31, 1999 and 38% of total sales in the third quarter ended March 31, 1998, and 32% and 34% of total sales in the nine months ended March 31, 1999 and 1998, respectively.

Cost of products sold as a percentage of revenues remained reasonably consistent with the prior year, increasing from 64% in the third quarter of fiscal year 1998 to 65% in the third quarter of the current year, and remaining at 65% for the nine months ended March 31, 1999 and 1998.

Selling, general and administrative, and engineering and development expenses decreased 3% in the third quarter and less than 1% in the first nine months, as compared to the same periods last year.

For the nine months ended March 31, 1999, the Company recognized a 4,000 benefit for income taxes compared to a benefit for income taxes of $299,000 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 $2,288,000 during the first nine months of fiscal 1999 to a balance of $1,155,000 at March 31, 1999, compared to $356,000 used in the first nine months of fiscal 1998. In the first nine months of fiscal 1999, $1,487,000 was used for operating activities, compared to $720,000 generated by operations for the same period last fiscal year.

Cash of $776,000 was used by investing activities in the first nine months of fiscal 1999, compared to $514,000 used by investing activities last year. The increase in cash used was primarily due to cash used in fiscal 1999 for the purchases of Ashurst Logistic Electronics Limited and additional property and equipment, offset by a dividend of $121,000 received from a joint venture investment during the first quarter of fiscal 1999. Financing activities used $11,000 in the first nine months of fiscal 1999 compared to $564,000 used in fiscal 1998. The decrease in cash used for financing activities was primarily due to a decrease in repayments of the bank line- of- credit.

The Company believes that its existing cash balance of $1,155,000 and the amount available under its long-term financing agreement (Agreement) are sufficient to fund operations and working capital needs for at least the next twelve months. The Agreement with Silicon Valley Bank (Silicon) is a line-of-credit that allows for borrowing up to the lesser of $3,000,000 or 85% of the Company's eligible receivables (Maximum Credit Limit). As of March 31, 1999, the Company could borrow an additional $1,619,000, up to the $2,853,000 Maximum Credit Limit. The Agreement matures on May 7, 2000 and will automatically be extended for successive additional terms of one year each unless written notice is given at least sixty days prior to any annual renewal date. The Agreement may be terminated by Silicon if the Company fails to maintain compliance with certain covenants related to tangible net worth. In addition, certain occurrences as defined in the Agreement, including a material adverse change in the Company's business, constitute an "Event of Default" in which Silicon may cease making loans, declare all or any part of the outstanding balance due and payable or take possession of any collateral securing the line-of-credit. As of May 13, 1999, the Company was in compliance with the covenants and was not aware of the occurrence of any "Event of Default".

Recently, the Company has introduced new products, is developing additional new products and has been awarded a significant contract, all of which are enabling the Power and Process Business to show improved results. In addition, the Company has started to see a recovery in its Motion Control Business as operating results have improved each quarter from the previous quarter during fiscal 1999. The Company believes it is making progress towards its objective of returning to growth and profitability.

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, software systems used in its business and items purchased from its suppliers. The Company has adopted a "Y2K Readiness Program" and is taking what it believes to be appropriate steps necessary in preparation for Year 2000 issues.

The Company is completing an assessment of its products to determine which products will be affected by Year 2000 issues. Test procedures have been modeled from the public document titled "Year 2000 Test Procedures", published by General Motors Corporation, and include a step by step method of date verification using each interface to the product. Modifications and updates are being made as needed. Testing of most products is completed or under way. Modifications and updates are being made as needed for products that are not Y2K compliant. With the possible exception of some of the older RTU protocol software, testing of all of the Company's current products will be complete before December 31, 1999. Some of the Company's older products that are no longer sold will not be tested for compliance. The Company will indicate on its Web site which products will not be tested.

The Company is also assessing internal systems, processes and facilities for Year 2000 compliance. The expected completion date to have all significant internal systems, processes and facilities compliant is June 30, 1999. The Company's assessment of its suppliers', service providers' and contractors' Year 2000 compliance is also ongoing and is expected to be completed by June 30, 1999. Alternative sources will be pursued for any non-compliant sources. Additionally, alternative sources will be identified and qualified for all compliant sources so that a secondary supplier will be available in the event that disruption in supply occurs from the primary supplier.

The Company currently believes it will be able to modify or offer alternative products as well as modify or replace its affected systems in time to minimize any detrimental effects on customer relationships or operations. Therefore, the Company does not anticipate that the overall costs of adaptation of its products and systems will be material to the Company's business, operations or financial condition. 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
There were no reports on Form 8-K filed in the three months ended March 31, 1999.

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: May 13, 1999 By: /s/ Richard D. Smith
President, Chief Executive Officer
and Chief Financial Officer

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JUN-30-1999 JUN-30-1999
JAN-01-1999 JUL-01-1999
MAR-31-1999 MAR-31-1999
1,790 1,790
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8,112 8,112
551 551
3,782 3,782
14,587 14,587
9,058 9,058
7,308 7,308
16,934 16,934
6,763 6,763
0 0
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Presented gross