

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 for the fiscal year ended March 25, 2000, or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_  
to \_\_\_\_\_

Commission File No. 0-12719

GIGA-TRONICS INCORPORATED

-----  
(Exact name of registrant as specified in its charter)

California

94-2656341

-----  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

4650 Norris Canyon Road, San Ramon, CA 94583

-----  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (925) 328-4650

-----  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

-----  
None

-----  
None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, No par value

-----  
(Title of class)

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 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant calculated on the closing average bid and asked prices as of May 9, 2000 was \$32,948,912. For purposes of this determination only, directors and officers of the Registrant have been assumed to be affiliates. There were a total of 4,435,058 shares of the Registrant's Common Stock outstanding as of May 9, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents have been incorporated by reference into the parts indicated:

PART OF FORM 10-K	DOCUMENT
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PART II	Registrant's ANNUAL REPORT TO
Items 5, 6, 7 and 8	SHAREHOLDERS for the fiscal year
	ended March 25, 2000.

PART III	Registrant's PROXY STATEMENT for
Items 10, 11, 12 and 13	its 2000 annual meeting of shareholders to
	be filed no later than 120 days
	after the close of the fiscal year
	ended March 25, 2000.

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## PART I

The forward-looking statements included in this report including, without limitation, statements containing the words "believes," "anticipates," "estimates," "expects," "intends" and words of similar import, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those discussed under "Certain Factors Which May Adversely Affect Future Operations Or An Investment In Giga-tronics" in Item 1 below and in Item 7, "Management's Discussion and Analysis", incorporated by reference on pages 15 through 16 of the Company's 2000 Annual Report to Shareholders.

### ITEM 1. BUSINESS

#### General

Giga-tronics Incorporated (Giga-tronics) includes operations of Giga-tronics Instrument division, ASCOR, Inc. (ASCOR), DYMATIX, which is a joint venture of Viking Semiconductor Equipment, Inc. (Viking) and Ultracision, Inc. (Ultracision), and Microsource, Inc. (Microsource).

Giga-tronics designs, manufactures and markets through its Giga-tronics Instrument Division, a broad line of test and measurement equipment used in the development, test and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems and automatic testing systems. These products are used primarily in the design, production, repair and maintenance of commercial telecommunications, radar, and electronic warfare.

Giga-tronics was incorporated on March 5, 1980, and its principal executive offices are located at 4650 Norris Canyon Road, San Ramon, California, and its telephone number at that location is (925) 328-4650.

Effective July 23, 1996, Giga-tronics acquired ASCOR. ASCOR, located in Fremont, California, designs, manufactures, and markets a line of switching and connecting devices that link together many specific purpose instruments that comprise a portion of automatic test systems. ASCOR offers a family of switching and interface test adapters as standard VXI configured products, as well as complete system integration services to the Automatic Test Equipment market.

Effective June 27, 1997, Giga-tronics completed a merger with Viking by issuing approximately 420,000 shares of the Company's common stock in exchange for all of the common stock of Viking. Viking, which is now located in Santa Clara, California, manufactures and markets a line of optical inspection equipment used to manufacture and test semiconductor devices. Products include die attachments, automatic die sorters, tape and reel equipment, and wafer inspection equipment.

Effective December 2, 1997, Giga-tronics completed a merger with Ultracision by issuing approximately 517,000 shares of the Company's common stock in exchange for all of the common stock of Ultracision. Ultracision is a manufacturer of automation equipment for the test and inspection of silicon

wafers. Ultracision also produces a line of probers for the testing and inspection of silicon devices.

Effective May 18, 1998, Giga-tronics acquired Microsource. All the outstanding shares of Microsource were exchanged for \$1,500,000 plus contingent future payments based on earnings from Microsource from 1998 to 2000. Microsource develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers, which are used by its customers in manufacturing a wide variety of microwave instruments or devices.

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Giga-tronics intends to broaden its product lines and expand its market, both by internal development of new products and through the acquisition of other business entities. From time to time, the Company considers a variety of acquisition opportunities.

#### Industry Segments

The Company manufactures products used in test, measurement and handling. The Company operates primarily in four operating segments; Giga-tronics Instruments, ASCOR Inc., Microsource Inc. and DYMATIX (formerly the Semiconductor Equipment Group).

#### Products and Markets

##### Giga-tronics Instruments

The Giga-tronics Instrument segment produces signal sources, generators and sweepers, and power measurement instruments for use in the microwave and RF frequency range (10 kHz to 75 GHz). Within each product line are a number of different models and options allowing customers to select frequency range and specialized capabilities, features and functions. The end-user markets for these products can be divided into three broad segments: commercial telecommunications, radar and electronic warfare. This segment's instruments are used in the design, production, repair and maintenance and calibration of other manufacturers' products, from discrete components to complex systems.

##### ASCOR Inc.

The ASCOR Inc. segment produces switch modules, and interface adapters that operate with a bandwidth from direct current (DC) to 18 GHz. This segment's switch modules may be incorporated within its customer's automated test equipment. The end-user markets for these products are primarily related to electronic warfare, though the VXI architecture may become more accepted by the telecommunications market.

##### Microsource Inc.

The Microsource segment develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers, which are used by its customers in manufacturing a wide variety of microwave instruments or devices.

##### DYMATIX (formerly the Semiconductor Equipment Group)

The DYMATIX segment manufactures and markets a line of optical inspection equipment used in the testing of semiconductor devices. Products include die attachments, automatic die sorters, tape and reel equipment, and wafer inspection equipment. Further, DYMATIX manufactures automation equipment for the test inspection and robotic handling of silicon wafers in addition to a line of probers for the testing and inspection of silicon devices.

#### Sources and Availability of Raw Materials and Components

Substantially all of the components required by Giga-tronics to make its assemblies are available from more than one source. The Company occasionally uses sole source arrangements to obtain leading-edge technology, favorable pricing or supply terms. Although extended delays in delivering components could result in longer product delivery schedules, the Company believes that its protection against this possibility stems from its practice of dealing with

well-established suppliers and maintaining good relationships with such suppliers.

#### Patents and Licenses

The Company attempts to obtain patents when appropriate. However, the Company believes that its competitive position depends primarily on the creative ability and technical competence of its personnel and the timely introduction of new products rather than on the ownership or development of patents.

The Company licenses certain instrument operating system software from third parties. The Company believes, based on industry practice, that any additional licenses necessary could be obtained on conditions which would not have a materially adverse effect on the financial condition of the Company.

#### Seasonal Nature of Business

The business of the Company is not seasonal.

#### Working Capital Practices

Giga-tronics does not believe that it has any special practices or special conditions affecting working capital items that are significant for an understanding of its business.

#### Importance of Limited Number of Customers

The Company had been a leading supplier of microwave and radio frequency (RF) test instruments to various U.S. Government defense agencies, as well as to their prime contractors. Management anticipates sales to U.S. Government agencies will remain significant in fiscal 2001, even though the outlook for defense-related orders continues to be soft. Defense-related agencies accounted for 16% of net sales in fiscal 2000, 24% in fiscal 1999 and 12% in fiscal 1998. Commercial business accounted for 84% of net sales in fiscal 2000, 76% in fiscal 1999 and 88% in fiscal 1998. In the past several years, sales to the defense industry in general, and direct sales to the United States and foreign government agencies in particular, have declined. Giga-tronics believes this decrease of product orders, and the resulting decline in defense sales revenues, is indicative of the worldwide decline in governmental defense spending. Any further decline in defense orders as a consequence of the foregoing circumstance, or otherwise, could harm the business, operating results, financial condition and cash flows of Giga-tronics.

#### Backlog of Orders

On March 25, 2000, the Company's backlog of unfilled orders was \$34,128,000, compared to \$17,792,000 at March 27, 1999. As of March 25, 2000, there were approximately \$10,201,000 unfilled orders that were scheduled for shipment beyond a year and as of March 27, 1999 there were no unfilled orders scheduled for shipment beyond one year. Orders for the Company's products include program orders from both the U.S. Government and defense contractors, with extended delivery dates. Accordingly, the backlog of orders may vary substantially from quarter to quarter and the backlog entering any single quarter may not be indicative of sales for any period.

Backlog includes only those customer orders for which a delivery schedule has been agreed upon between the Company and the customer and, in the case of U.S. Government orders, for which funding has been appropriated.

A portion of the year-end backlog consists of U.S. Government contracts. These contracts contain customary provisions permitting termination at the convenience of the U.S. Government upon payment of a negotiated cancellation charge. The Company never has experienced a significant contract termination.

#### Competition

Giga-tronics is engaged in a highly competitive field. Competition from numerous existing companies is intense and potential new entrants are expected

to increase. The Company's instrument, switch, oscillator and synthesizer products compete with Hewlett Packard, Anritsu, Racal, IFR and Rohde & Schwarz while the DYMATIX products compete with various other competitors. Many of these companies have substantially greater research and development, manufacturing, marketing, financial, technological, personnel and managerial resources than Giga-tronics. There can be no assurance that any products developed by these competitors will not gain greater market acceptance than any developed by Giga-tronics. Accordingly, Giga-tronics will be required to continue to devote substantial resources and efforts to marketing and research and development activities.

#### Sales and Marketing

Giga-tronics Instruments, ASCOR Inc. and Microsource Inc. market their products through various distributors and representatives to government and commercial customers, although not necessarily through the same distributors and representatives. DYMATIX markets its equipment through separate distributors and sales representatives to semiconductor manufacturers.

#### Product Development

Products of the type manufactured by Giga-tronics historically have had relatively long product life cycles. However, the electronics industry is subject to rapid technological changes at the component level. The future success of the Company is dependent on its ability to steadily incorporate advancements in component technologies into its new products.

Product development expense was approximately \$4,180,000 in fiscal 2000, \$5,313,000 in fiscal 1999 and \$6,200,000 in fiscal 1998. Activities included the development of new products and the improvement of existing products. It is management's intention to maintain or increase expenditures for product development at levels required to sustain its competitive position. All of the Company's product development activities are internally funded and expensed as incurred.

Giga-tronics expects to continue to make significant investments in research and development. There can be no assurance that future technologies, processes or product developments will not render Giga-tronics' current product offerings obsolete or that Giga-tronics will be able to develop and introduce new products or enhancements to existing products, which satisfy customer needs in a timely manner or achieve market acceptance. The failure to do so could adversely affect Giga-tronics' business.

#### Manufacturing

The assembly and testing of Giga-tronics Instrument's microwave, RF and power measurement products are done at its San Ramon facility. The assembly and testing of ASCOR's switching and connecting devices are done at its Fremont facility. The assembly and testing of Microsource's line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers are done at its Santa Rosa facility. The assembly and testing of the DYMATIX products are done at its Santa Clara facility.

#### Environment

To the best of its knowledge, the Company is in compliance with all federal, state and local laws and regulations involving the protection of the environment.

#### Employees

As of March 25, 2000, Giga-tronics employed 301 individuals. Management believes that the future success of the Company depends on its ability to attract and retain skilled personnel. None of the

Company's employees is represented by a labor union, and the Company considers its employee relations to be good.

#### Information about Foreign Operations

The Company sells to its international customers through a network of

foreign technical sales representative organizations. Sales to foreign customers were approximately \$14,468,000 in fiscal 2000, \$7,665,000 in fiscal 1999 and \$10,410,000 in fiscal 1998.

The Company has no foreign-based operations or material amounts of identifiable assets in foreign countries. Its gross margins on foreign and domestic sales are similar.

#### Certain Factors Which May Adversely Affect Future Operations Or An Investment In Giga-tronics

Business climate may become volatile

Giga-tronics has a significant number of defense-related orders. If the defense market should soften, shipments in the current year could decrease more than current projected shipments with a concurrent decline in earnings. The Company's commercial product backlog has a number of risks and uncertainties such as the cancellation or deferral of orders. If this occurs, then shipments in the current year could decrease more than current projected shipments resulting in a decline in earnings. The Company believes that growth can be realized by maintaining an effective new product development program, aggressively pursuing new markets, and vigorously competing for defense business. In addition, the Company intends to broaden its product lines and expand its markets. Nevertheless, there is no assurance these efforts will lead to increased sales.

Giga-tronics' acquisitions may not be effectively integrated and their integration may be costly

During fiscal years 2000, 1999 and 1998, Giga-tronics completed three acquisitions: Microsource, Ultracision, and Viking. Giga-tronics acquired these companies with the expectation that the acquisitions would result in long-term strategic benefits. The realization of the benefits sought from these acquisitions depends on the ability of Giga-tronics to effectively utilize the joint product development capabilities, sales and marketing capabilities, administrative organizations and facilities of these companies. There can be no assurance that these benefits will be achieved or that the activities of these companies will be integrated in a coordinated, timely and efficient manner. The combination of these entities also will require the dedication of management resources, which will detract such persons' attention from the day-to-day business of Giga-tronics. There can be no assurance the integration will be completed without disrupting Giga-tronics businesses. The inability of Giga-tronics to effectively utilize resources and to achieve integration in a timely and coordinated fashion could harm Giga-tronics' financial condition, operating results and cash flow.

Giga-tronics has limited experience in the semiconductor manufacturing equipment industry

Prior to its acquisition of Viking and Ultracision, Giga-tronics had no experience in the semiconductor manufacturing equipment industry. As a result, integration of these companies may be difficult. The difficulties may be increased by the necessity of coordinating geographically separate organizations and addressing possible differences in corporate cultures and management philosophies. Finally, expenditures related to the development of new products by these subsidiaries have, and may in the future, impact the financial results of Giga-tronics. The future success of Giga-tronics may depend on its ability to steadily incorporate advancements in semiconductor manufacturing technologies into its new products. The impact of these new subsidiaries on the operations of Giga-tronics remains uncertain.

Giga-tronics' markets involve rapidly changing technology and standards

The market for electronics equipment is characterized by rapidly changing technology and evolving industry standards. Giga-tronics believes that its future success will depend in part upon its ability to develop and commercialize its existing products and to develop new products and application and in part to develop, manufacture and successfully introduce new products and product lines with improved capabilities and to continue to enhance existing products. There can be no assurance that Giga-tronics will successfully complete the development of current or future products or that such products will achieve market

acceptance.

Giga-tronics' common stock price is volatile

The market price of the Company's common stock could be subject to significant fluctuations in response to variations in quarterly operating results, shortfalls in revenues or earnings from levels expected by securities analysts and other factors such as announcements of technological innovations or new products by Giga-tronics or by competitors, government regulations or developments in patent or other proprietary rights. In addition, the NASDAQ National Market and other stock markets have experienced significant price fluctuations in recent periods. These fluctuations often have seemingly been unrelated to the operating performance of the specific companies whose stocks are traded. Broad market fluctuations, as well as general foreign and domestic economic conditions, may adversely affect the market price of the common stock.

Giga-tronics stock at any time has historically traded on thin volume on NASDAQ. Sales of a significant volume of stock could result in a depression of Giga-tronics share prices.

## ITEM 2. PROPERTIES

As of March 25, 2000, Giga-tronics Instrument's executive, marketing, sales and engineering offices and manufacturing facilities for its microwave and RF signal generator and power measurement products are located in approximately 47,300 square feet in San Ramon, California, which the Company occupies under a lease agreement expiring December 31, 2006.

ASCOR's marketing, sales and engineering offices and manufacturing facilities for its switching and connecting devices are located in approximately 18,756 square feet in Fremont, California, under a lease that expires on June 30, 2006.

Microsource's marketing, sales and engineering offices and manufacturing facilities for its YIG tuned oscillators, filters and microwave synthesizers are located in an approximately 49,090 square foot facility in Santa Rosa, California, which the Company occupies under a lease expiring May 31, 2013.

The DYMATIX marketing, sales and engineering offices and manufacturing facilities for its automation equipment for the inspection of silicon wafers, probe line and optical inspection equipment used in the manufacture and test of semiconductor devices are located in an approximately 20,400 square foot facility in Santa Clara, California, under a lease expiring on June 30, 2002.

The Company believes that its facilities are adequate for its business activities.

## ITEM 3. LEGAL PROCEEDINGS

As of March 25, 2000, the Company has no material pending legal proceedings. From time to time, Giga-tronics is involved in various disputes and litigation matters that arise in the ordinary course of business.

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## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 25, 2000.

Executive Officers of the Company are listed on page 11 of this Form 10-K.

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## PART II

The Registrant's Annual Report to Shareholders for the year ended March 25, 2000, is filed as Exhibit 13.0 with the Form 10-K (the "2000 Annual Report"). The information responsive to Items 5, 6, 7 and 8, which is contained in the 2000 Annual Report, is specifically incorporated by reference in this Form 10-K. With the exception of such information, the 2000 Annual Report is not deemed filed as part of this report.

## ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the 2000 Annual Report, see "Common Stock Market Prices" which appears on page 31.

## ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference from the 2000 Annual Report, see "Selected Financial Data" which appears beginning on page 30.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Incorporated by reference from the 2000 Annual Report, see "Management's Discussion and Analysis" which appears on pages 15 to 16.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial instruments that expose the company to market risk are cash and short-term investments. The investments are held in recognized financial instruments and have limited market risk.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following items which appear in the 2000 Annual Report are incorporated by reference:

Consolidated Balance Sheets.....	page 17
Consolidated Statements of Operations.....	page 18
Consolidated Statements of Shareholders' Equity.....	page 19
Consolidated Statements of Cash Flows.....	page 20
Notes to Consolidated Financial Statements.....	page 21 - 28
Independent Auditors' Report.....	page 29

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES.

Not applicable.

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## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of the Company is set forth under the heading "Election of Directors" of the Company's Proxy Statement for its 2000 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 25, 2000.

### GIGA-TRONICS INCORPORATED EXECUTIVE OFFICERS

<TABLE>  
<CAPTION>

Name	Age	Position
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<S>	<C>	<C>
George H. Bruns, Jr.	81	Chief Executive Officer since January, 1995, Chairman of the Board and a Director of the Company. One of the founders of the Company in 1980 and has been a Director since inception. Mr. Bruns is General Partner of The Bruns Company, a private venture investment and management consulting firm. Mr. Bruns is Director of Testronics, Inc. of McKinney, Texas.

Mark H. Cosmez II	48	Vice President, Finance/Chief Financial Officer, Giga-tronics since October 1997. Before joining Giga-tronics, Mr. Cosmez was the chief
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financial officer for Pacific Bell Public Communications. Prior to 1997, he was the vice president of finance and chief financial officer for International Microcomputer Software Inc., a NASDAQ-traded software company.

James R. Koehn	59	President, Giga-tronics Instrument Division since May 1998. From January 1995 to April 1998, Mr. Koehn served as President of Marconi Instruments, Inc. of Fort Worth, TX. Prior to December 1994, he was a Vice President at Tektronix Inc.
Jeffrey T. Lum	54	President, ASCOR, Inc. since November 1987. Mr. Lum founded ASCOR in 1987 and has been President since inception. Before founding ASCOR, Mr. Lum was Vice President and founder of Autek Systems Corporation.
Daniel S. Markowitz	49	President, Ultracision, Inc. and Viking Semiconductor Equipment Inc. since April 1999. As a result of a joint venture between Ultracision, Inc. and Viking Semiconductor Equipment Inc. he is also the President of DYMATIX since inception. Assistant to the Chairman of Giga-tronics Inc. from September 1998 to March 1999. Vice President, Automation Products, Ultracision Inc. from February 1996 to August 1998. Mr. Markowitz was the General Manager of Mar Engineering from September 1993 to January 1996. Mar Engineering is a manufacturer of precision machined components for the aerospace industry.
Robert A. Smith	59	President of Microsource, Inc. since October 12, 1998. Before joining the Company, Mr. Smith was the Executive Vice President of Haskel International Inc. and the President of Industrial Products Group from 1995 to 1998. Haskel International is a manufacturer of high pressure pumping systems and components.

</TABLE>

#### ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Company's compensation of its executive officers is set forth under the heading "Executive Compensation" of the Company's Proxy Statement for its 2000 Annual Meeting of

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Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 25, 2000.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is set forth under the heading "Stock Ownership of Certain Beneficial Owners and Management" of its Proxy Statement for the 2000 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 25, 2000.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

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#### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

##### (a)(1) Financial Statements

The following financial statements and schedules are filed or incorporated by reference as a part of this report.

#### INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

<TABLE>  
<CAPTION>

	2000 Annual Report to Shareholders (Page No.)
Financial Statements	
<S>	<C>
Consolidated Balance Sheets - As of March 25, 2000 and March 27, 1999	17
Consolidated Statements of Operations - Years Ended March 25, 2000, March 27, 1999 and March 28, 1998	18
Consolidated Statements of Shareholders' Equity - Years Ended March 25, 2000, March 27, 1999 and March 28, 1998	19
Consolidated Statements of Cash Flows - Years Ended March 25, 2000, March 27, 1999 and March 28, 1998	20
Notes to Consolidated Financial Statements	21 - 28
Independent Auditors' Report	29
	Form 10-K (Page No.)
(a)(2) Schedules	
Report on Financial Statement Schedule and Consent of Independent Auditors	16
Schedule II - Valuation and Qualifying Accounts	17
</TABLE>	

All other schedules are not submitted because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

Except for those portions thereof incorporated by reference in this Form 10-K, the 2000 Annual Report and the Proxy Statement are not to be deemed filed as part of this report.

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(a)(3) Exhibits

Reference is made to the Exhibit Index which is found on pages 18 and 19 of this Annual Report on Form 10-K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 25, 2000.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

GIGA-TRONICS INCORPORATED

By /s/ GEORGE H. BRUNS, JR.  
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George H. Bruns, Jr.  
Chairman of the Board and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>  
<CAPTION>

<S>	<C>	<C>
/s/ GEORGE H. BRUNS, JR.	Chairman of the Board and Chief Executive Officer	5/19/00
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George H. Bruns, Jr.	(Principal Executive Officer)	(Date)
/s/ MARK H. COSMEZ II	Vice President, Finance and Chief Financial Officer	5/22/00
-----	-----	-----
Mark H. Cosmez II	(Principal Accounting Officer)	(Date)
/s/ JAMES A. COLE	Director	5/22/00
-----	-----	-----
James A. Cole		(Date)
/s/ ROBERT C. WILSON	Director	5/22/00
-----	-----	-----
Robert C. Wilson		(Date)
/s/ WILLIAM E. WILSON	Director	5/22/00
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William E. Wilson		(Date)

</TABLE>

REPORT ON FINANCIAL STATEMENT SCHEDULE AND CONSENT OF  
INDEPENDENT AUDITORS

The Board of Directors and Shareholders  
Giga-tronics Incorporated

The audits referred to in our report dated May 2, 2000 included the related financial statement schedule for the years ended March 25, 2000, March 27, 1999, and March 28, 1998, included herein. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to incorporation by reference in the registration statements (Nos. 333-34719, 333-39403, and 333-48889) on Form S-8 and (Nos. 333-50091) on Form S-3 of Giga-tronics Incorporated of our reports included herein and incorporated herein by reference.

Mountain View, California  
May 23, 2000

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<TABLE>  
<CAPTION>

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to Cost and Expenses	Deductions (Recoveries)	Balance at End of Period
<S>	<C>	<C>	<C>	<C>
	\$	\$	\$	\$
Year ended March 25, 2000				
Allowances deducted from assets:				
Accounts receivable:				
For doubtful accounts(1)	434,613	36,624	217,347	253,890
Total	434,613	36,624	217,347	253,890
Year ended March 27, 1999				
Accounts receivable:				
For doubtful accounts(1)	292,644	152,581	10,612	434,613
Total	292,644	152,581	10,612	434,613
Year ended March 28, 1998				
Accounts receivable:				
For doubtful accounts(1)	323,983	39,800	71,139	292,644
Total	323,983	39,800	71,139	292,644

&lt;/TABLE&gt;

(1) Allowance for accounts receivable collection exposure.

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# GIGA-TRONICS INCORPORATED INDEX TO EXHIBITS

- 2.1 Agreement and Plan of Reorganization, dated as of May 20, 1996 by and among Giga-tronics Incorporated, ASCOR Acquisition Corp. and ASCOR, Inc., previously filed as Exhibit 2.1 to Form 10-K for the fiscal year ended March 30, 1996 and incorporated herein by reference.
- 2.2 Letter of Agreement between Giga-tronics Incorporated and ASCOR, Inc., dated May 20, 1996, as previously filed as Exhibit 2.2 to Form 10-K for the fiscal year ended March 30, 1996 and incorporated herein by reference.
- 2.3 Agreement and Plan of Reorganization, dated as of June 6, 1997, by and among Giga-tronics Incorporated, GTV Acquisition Corp. and Viking Semiconductor Equipment, Inc., as previously filed as Exhibit 2.3 to

Form 10-K for the fiscal year ended March 29, 1997 and incorporated herein by reference.

- 2.4 Agreement and Plan of Reorganization, dated as of December 2, 1997, by and among Giga-tronics Incorporated, Giga Acquisition Corp. and Ultracision, Inc. as previously filed on December 16, 1997, as Exhibit 2.1 to Form 8-K, and incorporated herein by reference.
- 2.5 Agreement and Plan of Reorganization, as amended, dated as of December 22, 1997, by and among Giga-tronics Incorporated, Giga Micro Corp., and Microsource Inc., as previously filed on June 1, 1998, as Exhibit 2.1 to Form 8-K and incorporated herein by reference.
- 3.1 Articles of Incorporation of the Registrant, as amended, previously filed as Exhibit 3.1 to Form 10-K for the fiscal year ended March 27, 1999 and incorporated herein by reference.
- 3.2 By-laws of Registrant, as amended, previously filed as Exhibit 3.2 to Form 10-K for the fiscal year ended March 28, 1998, and incorporated herein by reference.
- 4.1 Rights Agreement dated as of November 6, 1998 between Giga-tronics Incorporated and ChaseMellon Shareholder Services LLC, as previously filed on November 9, 1998 as Exhibit 4.1 to Form 8-K and incorporated herein by reference.
- 10.1 1990 Restated Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on November 3, 1997 as Exhibit 99.1 to Form S-8 (33-39403) and incorporated herein by reference.
- 10.2 Standard form Indemnification Agreement for Directors and Officers, previously filed on June 21, 1999, as Exhibit 10.2 to Form 10-K for the fiscal year ended March 27, 1999 and incorporated herein by reference.
- 10.3 Lease between Giga-tronics Incorporated and Calfront Associates for 4650 Norris Canyon Road, San Ramon, CA, dated December 6, 1993, previously filed as Exhibit 10.12 to Form 10-K for the fiscal year ended March 26, 1994 and incorporated herein by reference.
- 10.4 Employee Stock Purchase Plan, previously filed on August 29, 1997, as Exhibit 99.1 to Form S-8 (33-34719), and incorporated herein by reference.
- 10.5 Ultracision, Inc. 1986 Stock Option Plan, filed on March 30, 1998 as Exhibit 99.1 to Form S-8 (33-48869), incorporated herein by reference.
- 10.6 Ultracision, Inc. 1987 Stock Option Plan, filed on March 30, 1998 as Exhibit 99.2 to Form S-8 (33-48869), incorporated herein by reference.

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- 10.7 Form of Incentive Stock Option Agreements for Ultracision Inc., as Amended by the Assumed Option Agreement, as previously filed on March 30, 1998 as Exhibit 99.3 to Form S-8 (33-48869) and incorporated herein by reference.
- 13.0\* 2000 Annual Report to Shareholders.
- 23.0\* Report on Financial Statement Schedule and Consent of Independent Auditors. (See page 16 of this Annual Report on Form 10-K.)
- 27.0\* Financial Data Schedule

\* Attached as exhibits to this Form 10-K.

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## EXHIBIT 13.0

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### RESULTS OF OPERATIONS FOR FISCAL 2000 AS COMPARED TO 1999

New orders received in 2000 were \$64,013,000, an increase of 74% from \$36,786,000 in 1999. At year end 2000, the Company's backlog of unfilled orders was \$34,128,000, compared to \$17,792,000 at the end of 1999. As of year end 2000, there were approximately \$10,201,000 unfilled orders that were scheduled for shipment beyond a year and as of year end 1999 there were no unfilled orders scheduled for shipment beyond a year. Primarily, the increase in backlog is attributable to strong order levels at Microsource and at the Giga-tronics Instruments division.

Net sales for 2000 were \$47,577,000, a 26% increase from \$37,636,000 in 1999. Every segment of the business improved revenue during the fiscal year. In fiscal 2000, Microsource increased revenues 68% or \$6,085,000, DYMATIX (formerly the Semiconductor Equipment Group) improved 43% or \$2,180,000, in revenue, while Giga-tronics Instruments increased 8% or \$1,455,000, in sales and ASCOR improved 3% or \$221,000, in sales.

Cost of sales increased 22% in 2000 to \$31,767,000 from \$26,102,000 in 1999. The increase in fiscal 2000 is attributable to increased shipments of products during the fiscal year coupled with higher costs for labor and material for the products shipped.

Operating expenses declined 6% in 2000 over 1999. Product development costs declined \$1,133,000 in fiscal 2000 to \$4,180,000 as the development of new products returned to previous levels. Selling, general and administrative expenses increased \$237,000 to \$9,655,000 in 2000 due to higher commissions on higher revenues. Amortization of intangibles decreased \$82,000 to \$480,000 as a result of reduced amortization of patents and licenses.

Other income decreased in fiscal 2000 primarily due to the fiscal 1999 gain from the sale of a surplus building following facilities consolidation at DYMATIX for which there was no corresponding sale in fiscal 2000. Net interest income in 2000 decreased 51% from 1999 due to lower average cash available for investment. The average cash decline resulted principally from low cash level at the beginning of the year. The provision for income taxes in 2000 was \$494,000, or 30%, of the pre-tax earnings.

Giga-tronics recorded net earnings of \$1,139,000, or \$0.24 per share, in 2000 versus a loss of \$1,858,000, or \$0.43 per share, in 1999. The improvement in 2000 earnings was due to the Company's higher sales levels in 2000 as compared to 1999.

#### RESULTS OF OPERATIONS FOR FISCAL 1999 AS COMPARED TO 1998

Giga-tronics acquired Microsource, Inc., a manufacturer of YIG oscillators and communications related synthesizers, on May 18, 1998 in a purchase transaction. Performance from that date through March 27, 1999 is included in the Company's operating results. Management believes this acquisition positioned Giga-tronics to expand its market for microwave instruments and devices.

New orders received in 1999 were \$36,786,000, an increase of 11% from \$33,092,000 in 1998. These orders included \$7,900,000 for Microsource for which there were no comparable orders in 1998. At year end 1999, the Company's backlog of unfilled orders was \$17,792,000, compared to \$6,492,000 at the end of 1998. The increase in backlog is primarily attributable to addition of the Microsource backlog which was \$11,066,000 at year end.

Net sales for 1999 were \$37,636,000, a 2% increase from 1998. The increase is due to the addition of Microsource sales of \$ 9,000,000 offset by reduced sales volume for DYMATIX (formerly the Semiconductor Equipment Group) as well as Giga-tronics Instrument products. In 1999, DYMATIX sales declined \$6.2 million. Revenues for Giga-tronics' semiconductor product lines were impacted by the substantial downturn of the semiconductor industry together with the severe economic problems in Asia. The Giga-tronics Instrument sales reductions of \$3.4

million were due to the aging of the product lines, delay in new product releases, and weakness in the wireless industry. ASCOR sales improved \$1.4 million in 1999 over 1998.

Cost of sales increased 24% in 1999 to \$26,102,000 from \$21,024,000 in 1998. The increase in 1999 is attributable to the addition of Microsource as well as inventory write offs associated with the Company's decision to discontinue a particular semiconductor equipment line. The cost of sales for Microsource during fiscal 1999 was \$6,978,000.

Operating expenses increased 1% in 1999 over 1998, which includes Microsource operating expenses of \$2,152,000. Product development costs declined \$.9 million in 1999 to \$5.3 million as the development of new products began to return to previous levels. Selling, general and administrative expenses increased in 1999 due to the addition of Microsource which had expenses of \$1,602,000. Amortization of intangibles increased as a result of the addition of the amortization of goodwill for Microsource offset by reduced amortization of patents and licenses.

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Other income increased primarily due to the gain from the sale of a surplus building following facilities consolidation of the Company's semiconductor equipment operations. Net interest income in 1999 declined 75% from 1998 due to lower cash available for investment. The cash decline resulted principally from the extinguishment of debt, reduction of accounts payable and acquisition costs associated with the acquisition of the Microsource subsidiary. The benefit for income taxes in 1999 was \$1,148,000 or 38% of the pre-tax loss.

The Company recorded a net loss of \$1,858,000, or \$0.43 per share, in 1999 versus earnings of \$767,000, or \$0.18 per share in 1998. The decline in 1999 earnings was due to the Company's lower gross profits in 1999 of \$11,534,000 as compared to \$15,789,000 in 1998.

#### FINANCIAL CONDITION AND LIQUIDITY

As of March 25, 2000, Giga-tronics had \$3,455,000 in cash, cash equivalents, and investments, compared to \$2,686,000 as of March 27, 1999 and \$10,335,000 as of March 28, 1998. Cash provided by operations amounted to \$2,065,000 in 2000, compared to cash used by operations of \$2,365,000 in 1999, and \$1,099,000 in 1998. Cash provided by operations in 2000 is attributed to operating income in the year. In 1999, losses by operations were the significant reason for the increase in use of cash by operations. In 1998, the increase in product development costs of \$1,619,000 and the merger transaction costs of \$643,000 were the significant reasons for the use of cash by operations.

Giga-tronics continues to maintain a strong financial position, with working capital at year end of \$21,645,000 compared to \$18,021,000 in 1999 and \$23,484,000 in 1998. The Company's current ratio of 3.2 decreased from the 1999 and 1998 current ratio of 3.3 and 5.1, respectively. The increase in working capital is primarily a result of the increased operations of the Company.

Additions to property and equipment were \$1,361,000 in 2000, compared to \$953,000 in 1999 and \$779,000 in 1998. Fiscal 2000 spending reflects continuing investments to support new product development, increased productivity, and improved product quality. Other cash inflows in 2000 consists of \$174,000 of common stock in connection with the exercise of stock options. Other cash inflows in 1999 were \$89,000 of common stock in connection with the exercise of stock options, \$1,291,000 from the sale of the Company's building and \$5,742,000 from maturities of investments, net of purchases, which were principally marketable securities classified as available for sale.

Management believes that the Company has adequate resources to meet its operating and capital expenditure needs for the foreseeable future. The Company has a seven million dollar unsecured line of credit, none of which has been used. The Company may continue to increase product development expenditures in the near term for the purpose of broadening its product base. It is the Company's intention to broaden its product lines and expand its market, both by internal development of new products and through the acquisition of other business entities.

## FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

### BUSINESS CLIMATE MAY BECOME VOLATILE

Giga-tronics' has a significant number of defense-related orders. If the defense market should decline, shipments in the current year could be less than anticipated and cause a decrease in earnings. The Company's commercial product backlog has a number of risks and uncertainties such as the cancellation or deferral of orders. If this occurs, then shipments in the current year could fall short of plan resulting in a decline in earnings.

### GIGA-TRONICS ACQUISITIONS MAY NOT BE EFFECTIVELY INTEGRATED AND THEIR INTEGRATION MAY BE COSTLY

As part of its business strategy, Giga-tronics intends to broaden its product lines and expand its markets, in part through the acquisition of other business entities. In fiscal 1999 the Company acquired Microsource, Inc. in a transaction accounted for as a purchase. Giga-tronics is subject to various risks in connection with this and any future acquisitions. Such risks include, among other things, the difficulty of assimilating the operations and personnel of the acquired companies, the potential disruption of the Company's business, the inability of management to maximize the financial and strategic position of the Company by the successful incorporation of acquired technology and rights into its product offerings, the maintenance of uniform standards, controls, procedures and policies, and the potential loss of key employees of acquired companies. No assurance can be given that any acquisition by Giga-tronics will or will not occur, that if an acquisition does occur, that it will not materially harm the Company or that any such acquisition will be successful in enhancing the Company's business. The Company currently contemplates that future acquisitions may involve the issuance of additional shares of common stock. Any such issuance may result in dilution to all Giga-tronics shareholders, and sales of such shares in significant volume by the shareholders of acquired companies may depress the price of its common stock.

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report to Stockholders contain forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed herein and in the Company's 2000 Report 10-K under "Item 1. Business" and "Certain Factors Which May Affect Future Operation Or An Investment In Giga-tronics" as filed with the Securities and Exchange Commission.

### CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

(In thousands except share data)		March 25, 2000	March 27, 1999
<S>	<C>	<C>	
ASSETS			
Current assets			
Cash and cash equivalents	\$	3,455	\$ 2,686
Trade accounts receivable, net of allowance of \$253 and \$435 respectively		9,194	6,434
Inventories, net	14,692	13,249	
Income tax receivable	--	725	
Prepaid expenses	444	383	
Deferred income taxes	3,570	2,309	
TOTAL CURRENT ASSETS		31,355	25,786
Property and equipment			
Leasehold improvements		382	311
Machinery and equipment		14,673	13,460
Office furniture and fixtures		1,023	1,060
Property and equipment, gross cost		16,078	14,831
Less accumulated depreciation and amortization		10,678	9,179



PROPERTY AND EQUIPMENT, NET		5,400	5,652		
PATENTS AND LICENSES		112	349		
GOODWILL, NET		564	1,194		
DEFERRED INCOME TAXES		--	169		
OTHER ASSETS		95	109		
	-----	-----			
TOTAL ASSETS	\$	37,526	\$	33,259	
	=====	=====			
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	\$	4,065	\$	3,022	
Accrued commissions		625		369	
Accrued payroll and benefits		1,638		1,346	
Accrued warranty		553		467	
Customer advances		1,536		1,648	
Obligation under capital lease		118		112	
Other current liabilities		1,175		801	
	-----	-----			
TOTAL CURRENT LIABILITIES		9,710		7,765	
OBLIGATIONS UNDER CAPITAL LEASE, NET OF CURRENT PORTION					127 210
DEFERRED INCOME TAXES		1,011		--	
DEFERRED RENT		529		574	
	-----	-----			
TOTAL LIABILITIES		11,377		8,549	
SHAREHOLDERS' EQUITY					
Preferred stock of no par value					
Authorized 1,000,000 shares; no shares outstanding at March 25, 2000 and March 27, 1999		--		--	
Common stock of no par value;					
Authorized 40,000,000 shares; 4,431,008 shares at March 25, 2000 and 4,361,902 shares at March 27, 1999 issued and outstanding		11,921		11,621	
Retained earnings		14,228		13,089	
	-----	-----			
TOTAL SHAREHOLDERS' EQUITY		26,149		24,710	
	-----	-----			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	37,526	\$	33,259	
	=====	=====			

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

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# CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>

<CAPTION>

Years ended	March 25,	March 27,	March 28,		
(In thousands except share data)	2000	1999	1998		
	-----	-----	-----		
<S>	<C>	<C>	<C>		
NET SALES	\$47,577	\$37,636	\$36,813		
Cost of sales	31,767	26,102	21,024		
	-----	-----	-----		
GROSS PROFIT	15,810	11,534	15,789		
Product development	4,180	5,313	6,200		
Selling, general and administrative	9,655	9,418	8,537		
Amortization of intangibles	480	562	435		
	-----	-----	-----		
Operating expenses	14,315	15,293	15,172		
	-----	-----	-----		
OPERATING INCOME (LOSS)		1,495	(3,759)	617	
Other income (expense)	79	632	22		
Interest income, net	59	121	457		
	-----	-----	-----		
EARNINGS (LOSS) BEFORE INCOME TAXES		1,633	(3,006)	1,096	
Provision (benefit) for income taxes	494	(1,148)	329		
	-----	-----	-----		
NET EARNINGS (LOSS)	\$ 1,139	\$(1,858)	\$ 767		

EARNINGS (LOSS) PER COMMON SHARE -- BASIC	\$ 0.26	\$ (0.43)	\$ 0.18
---	---------	-----------	---------

EARNINGS (LOSS) PER COMMON SHARE -- DILUTED	\$ 0.24	\$ (0.43)	\$ 0.18
---	---------	-----------	---------

WEIGHTED AVERAGE BASIC COMMON SHARES OUTSTANDING	4,379	4,338	4,319
--	-------	-------	-------

WEIGHTED AVERAGE DILUTED COMMON SHARES OUTSTANDING	4,693	4,338	4,377
--	-------	-------	-------

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

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# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except share data)

<TABLE>

<CAPTION>

	Common Shares	Stock Amount	Other Comprehensive Income (Loss)	Comprehensive Income (loss)	Retained Earnings	Total
<S> <C> <C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT MARCH 29, 1997		4,316,188	\$ 11,463	\$ --	\$ 11	\$ 14,180 \$ 25,654
Comprehensive Income						
Net earnings	--	--	767	--	767	767
Unrealized gain on investments, net of income tax benefit of \$16	--	--	(29)	(29)	--	(29)
Comprehensive Income	--	--	738	--	--	--
Stock issuance under stock Option plans	10,111	69	--	--	--	69
BALANCE AT MARCH 28, 1998		4,326,299	\$ 11,532	\$ --	\$ (18)	\$ 14,947 \$ 26,461
Comprehensive Income						
Net loss	--	--	(1,858)	--	(1,858)	(1,858)
Unrealized gain on investments, net of income tax benefit of \$10	--	--	18	18	--	18
Comprehensive Loss	--	--	(1,840)	--	--	--
Stock issuance under stock Option plans	35,603	89				89
BALANCE AT MARCH 27, 1999		4,361,902	\$ 11,621	\$ ---	\$ --	\$ 13,089 \$ 24,710
Comprehensive Income						
Net Earnings	--	--	1,139	--	1,139	1,139
Stock issuance under stock Option plans	69,106	174	--	--	--	174
Tax benefit associated with exercise of stock options	--	126	--	--	--	126
BALANCE AT MARCH 25, 2000		4,431,008	\$ 11,921	\$ --	\$ --	\$ 14,228 \$ 26,149

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

<TABLE>  
<CAPTION>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended (In thousands)	March 25, 2000	March 27, 1999	March 28, 1998	
<S>	<C>	<C>	<C>	
CASH FLOWS PROVIDED FROM OPERATIONS:				
Net earnings (loss)	\$ 1,139	\$ (1,858)	\$ 767	
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operations:				
Provision for bad debt	(182)	142	(31)	
Depreciation and amortization	2,111	2,208	1,407	
Tax benefit from employee stock options		126	--	
Tax benefit of pre acquisition NOL utilization		394	--	
Gain on sales of fixed assets	(20)	(521)	(3)	
Deferred income taxes	(81)	(443)	(120)	
Changes in operating assets and liabilities:				
Trade accounts receivable	(2,578)	1,738	(2,337)	
Inventories	(1,443)	(1,710)	196	
Prepaid expenses	(61)	74	(522)	
Accounts payable	1,043	(622)	204	
Accrued commissions	256	(180)	206	
Accrued payroll and benefits	292	67	(118)	
Accrued warranty	86	(269)	(67)	
Accrued other expenses	535	(209)	(212)	
Customer advances	(112)	(968)	(469)	
Income taxes receivable/payable	560	186	--	
NET CASH PROVIDED BY (USED IN) OPERATIONS		2,065	(2,365)	(1,099)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of investments	--	(2,268)	(36,294)	
Maturities of investments	--	8,010	37,751	
Proceeds from sale of property and equipment		7	1,291	--
Additions to property and equipment	(1,361)	(953)	(779)	
Payment for purchase of Microsource, including transaction costs		(8)	(605)	--
Advances to Microsource	--	(940)	--	
Issuance of notes receivable	--	--	(860)	
Other assets	14	(17)	57	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			(1,348)	4,518 (125)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock	174	89	69	
Dividends paid	--	--	(27)	
Payment on line of credit	--	(1,500)	(189)	
Payment on notes payable and other long term liabilities		(45)	(2,497)	(985)
Payments on capital lease and other long term obligations		(77)	(170)	(32)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			52	(4,078) (1,164)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			769	(1,925) (2,388)
BEGINNING CASH AND CASH EQUIVALENTS		2,686	4,611	6,999
ENDING CASH AND CASH EQUIVALENTS		3,455	2,686	4,611
Supplementary disclosure of cash flow information:				
Cash paid for income taxes	\$ 86	\$ 7	\$ 951	
Cash paid for interest	--	--	58	
Non-cash investing and financing activities:				
Purchases under capital lease obligations	50	--	--	

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS

1 BUSINESS COMBINATIONS

On May 18, 1998, Giga-tronics Incorporated acquired Microsource, Inc. (Microsource) of Santa Rosa, California. Microsource develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters, and microwave synthesizers. The acquisition was accounted for using the purchase method of accounting, and accordingly, the results of operations of Microsource have been included in the Company's consolidated financial statements from May 18, 1998. The purchase price consisted of \$1,500,000 plus contingent payments based upon future net income of Microsource during the two fiscal years after the effective time of the merger. The excess of the purchase price over the fair value of the net identifiable assets of \$1,509,000 was recorded as goodwill and other intangibles (primarily patents).

The total purchase price of \$1,500,000 has been allocated to the net assets acquired based on the estimated fair value as follows (in thousands):

<TABLE>

<CAPTION>

<S>	<C>
Current assets	\$ 5,119
Property and equipment	4,370
Goodwill and other intangibles	1,509
Current liabilities	(7,018)
Capital lease and other long term obligations, net	(517)
	-----
	3,463
	-----
Less advances to Microsource, net, and transaction costs	(1,963)
	-----
	\$ 1,500
	=====

</TABLE>

The purchase price was subsequently adjusted to give effect to the contingent payment of \$8,000, net paid to Microsource shareholders based on the subsidiary's fiscal year 2000 operating results. In addition, the purchase price allocation was adjusted to give effect in fiscal year 2000 to the recognition of deferred tax assets of \$394,000 for which no value was assigned at the date of the acquisition.

Results of operations previously reported by the separate entities prior to the mergers and the pro-forma combined amounts are summarized below.

<TABLE>

<CAPTION>

	Year ended March 28, 1998 (unaudited)		Pro-forma		Pro-forma
	Giga-tronics	Microsource	Adjustments		Combined
<S>	<C>	<C>	<C>	<C>	
Net sales	\$ 36,813	\$ 6,262	\$ --	\$	43,075
Net earnings (loss)	767	(4,531)	(390)		(4,154)
Net earnings (loss) per share	\$ 0.18	\$ --	\$ --	\$	(0.96)

</TABLE>

Pro-forma adjustment represents increased depreciation on the step-up basis (to fair market value) of property, plant and equipment, the amortization of goodwill created as a result of the acquisition of Microsource, and interest accrued by Microsource on the notes due to

Giga-tronics for which no income had previously been recorded by Giga-tronics.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**The Company** The accompanying consolidated financial statements include the accounts of Giga-tronics and its wholly owned subsidiaries. Giga-tronics and its subsidiary companies design, manufacture and market a broad line of test and measurement equipment used in the development, test, and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems, and automatic testing systems. The Company also manufactures and markets a line of test, measurement, and handling equipment used in the manufacturing of semiconductor devices. The Company's products are sold worldwide to customers in the test and measurement and semiconductor industries. The Company has no foreign operations, and all non-U.S. sales are made in U.S. dollars.

**Principles of Consolidation** The consolidated financial statements include the accounts of Giga-tronics and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the

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financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fiscal Year** The Company's financial reporting year consists of either a 52 week or 53 week period ending on the last Saturday of the month of March. Fiscal years 2000, 1999 and 1998 each contained 52 weeks.

**Revenue Recognition** Revenues are recognized when the earnings process has been completed and products are shipped or when services are performed. Upon shipment, the Company also provides for the estimated cost that may be incurred for product warranties.

**Cash Equivalents** The Company considers all highly liquid debt instruments with remaining maturity dates of 90 days or less from date of purchase to be cash equivalents.

**Inventories** Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

**Property and Equipment** Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years for machinery and equipment and office fixtures. Leasehold improvements and assets acquired under capital leases are amortized using the straight-line method over the shorter of the estimated useful lives of the respective assets or the lease term. Recoverability of property and equipment is measured by comparison of its carrying amount, including the unamortized portion of goodwill allocated to property and equipment, to future cash flows the property and equipment are expected to generate. The Company assesses the recoverability of enterprise level goodwill by determining whether the unamortized goodwill balance can be recovered through undiscounted future cash flows of the acquired operation. To date, the Company has made no adjustments to the carrying value of its property and equipment or goodwill due to asset impairment.

**Deferred Rent** Rent expense is recognized in an amount equal to the minimum guaranteed base rent plus future rental increases amortized on the straight-line basis over the terms of the leases, including free rent periods. Included in other long-term liabilities is the

excess of rent expense over required rental payments.

**Income Taxes** Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**Patents and Licenses** Patents and licenses are being amortized using the straight-line method over periods of five to seven years. As of March 25, 2000 and March 27, 1999 accumulated amortization on patents and licenses was \$2,084,000 and \$1,848,000, respectively.

**Goodwill** Goodwill is being amortized using the straight-line method over a period of five years. As of March 25, 2000 and March 27, 1999 accumulated amortization on goodwill was \$1,725,000 and \$1,481,000 respectively.

**Product Development Costs** Product development costs are charged to operations in the year incurred.

**Software Development Costs** Development costs included in the research and development of new products and enhancements to existing products are expensed as incurred until technological feasibility in the form of a working model has been established. To date, software development has been concurrent with the establishment of technological feasibility, and accordingly, no costs have been capitalized.

**Stock-based Compensation** The Company uses the intrinsic value method to account for stock-based compensation.

**Earnings (Loss) Per Share** Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the incremental shares issuable upon the assumed exercise of stock options. Antidilutive options are not included in the computation of diluted earnings per share.

**Financial Instruments and Concentration of Credit Risk** Financial instruments, which potentially subject the Company to credit risk as of March 25, 2000, consist principally of cash, cash equivalents and trade accounts receivable. The Company's cash equivalents consist principally of money market funds and certificates of deposits which are held in recognized depository institutions. Concentration of credit risk in trade accounts receivable results primarily from sales to major customers. The Company individually evaluates the creditworthiness of its customers and generally does not require collateral or other security. Historically, the Company has not incurred any significant credit related losses.

**Fair Market Value of Financial Instruments** The carrying amount for the Company's cash equivalents, trade accounts receivable and accounts payable approximates fair market value because of the short maturity of these financial instruments.

**Recent Accounting Pronouncements** The Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. For a derivative not designated as a hedging instrument, changes in the fair value of the derivative are recognized in earnings in the period of change. The Company must

adopt SFAS No. 133 in the first quarter of fiscal 2002. Management does not believe the adoption of SFAS No. 133 will have a material effect on the financial position or operations of the Company.

In December 1999, the SEC issued Staff Accounting Bulletin (SAB) No. 101. SAB 101 presents certain of the SEC's staff views on applying generally accepted accounting principles for revenue recognition in financial statements. The Company has not determined the impact implementation of SAB No. 101 will have on its consolidated results of operations.

The FASB issued Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB No. 25" (FIN No. 44) in March 2000. The interpretation clarifies the application of Opinion 25 for only certain issues such as the following: (a) the definition of employee for the purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. The Company must adopt FIN No. 44 by July 1, 2000. The Company does not believe that the interpretation will have a material effect on its consolidated results of operations, financial position, or liquidity.

### 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at March 25, 2000 and March 27, 1999:

<TABLE>

<CAPTION>

March 25, 2000 (In thousands)	Cash and Cash Equivalents	
	Amortized Cost	Fair Value
<S>	<C>	<C>
Cash	\$ 1,067	\$ 1,067
Money market funds		1,933
Other marketable securities		455
Total debt securities	\$ 3,455	\$ 3,455

</TABLE>

<TABLE>

<CAPTION>

March 27, 1999 (In thousands)	Cash and Cash Equivalents	
	Amortized Cost	Fair Value
<S>	<C>	<C>
Cash	\$ 1,093	\$ 1,093
Money market funds		1,593
Total debt securities	\$ 2,686	\$ 2,686

</TABLE>

### 4 INVENTORIES

<TABLE>

<CAPTION>

Years ended (In thousands)	March 25, 2000	March 27, 1999
<S>	<C>	<C>
Raw materials	\$ 8,095	\$ 6,386
Work-in-progress	5,746	6,124
Finished goods	294	305

Loaned Inventory	557	434
	-----	-----
	\$ 14,692	\$ 13,249
	=====	=====

</TABLE>

## 5 SELLING EXPENSES

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled \$2,360,000, \$2,051,000, and \$2,155,000 in fiscal 2000, 1999, and 1998, respectively. Advertising costs which are expensed as incurred totaled \$511,000, \$558,000, and \$431,000 for fiscal 2000, 1999, and 1998, respectively.

## 6 SIGNIFICANT CUSTOMERS AND INDUSTRY SEGMENT INFORMATION

The Company has five reportable segments: Giga-tronics Instruments Division, ASCOR, Microsource, DYMATIX, and Corporate. Giga-tronics Instrument division produces a broad line of test and measurement equipment used in the development, test and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems and automatic testing systems. ASCOR designs, manufactures, and markets a line of switching devices that link together many specific purpose instruments that comprise automatic test systems. Microsource develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers, which are used in a wide variety of microwave instruments or devices. DYMATIX, which includes Viking Semiconductor Equipment, Inc. and Ultracision, Inc., manufactures and markets optical inspection equipment used to test semiconductor devices and automation equipment for the test and inspection of silicon wafers. Corporate handles the financing needs of each segment and lends funds to each segment as required.

The accounting policies for the segments are the same as those described in the "Summary of Significant Accounting Policies." The Company evaluates the performance of its segments and allocates resources to them based on earnings before income taxes (pre-tax income (loss)). Segment net sales includes sales to external customers. Segment pre-tax loss includes an allocation for corporate expenses, amortization of goodwill, and interest expense from borrowings from Corporate. Corporate expenses are allocated to the reportable segments based principally on full time equivalent headcount. The interest expense is charged at prime which is currently 9 % for cash required by each segment. Goodwill associated with acquisitions are recorded as assets of the individual segments. Assets include accounts receivable, inventories, equipment, cash, deferred income taxes, prepaid expenses, goodwill and other long-term assets. The Company accounts for inter-segment sales and transfers at terms that allow a reasonable profit to the seller. During the periods reported there were no significant inter-segment sales or transfers.

The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because each business utilizes different technology and requires different marketing strategies. All of the businesses except for Giga-tronics Instruments were acquired. The Company's chief operating decision maker is considered to be the Company's Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues and pre-tax income by operating segment. The tables below present information for the fiscal years ended in 2000, 1999 and 1998:

March 25, 2000 (In thousands):

<TABLE>

<CAPTION>

	Giga-tronics Instruments	ASCOR	Microsource	DYMATIX	Corporate	Total
	-----	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>	



Revenue	\$ 18,516	\$ 6,705	\$ 15,069	\$ 7,287	\$ --	\$ 47,577
Interest income	--	34	1	--	70	105
Interest expense	(25)	(15)	(634)	(329)	957	(46)
Amortization & depreciation		699	153	1,164	95	-- 2,111
Pre-tax income	361	53	132	168	919	1,633
Assets	13,546	5,299	11,874	5,396	1,411	37,526

</TABLE>

March 27, 1999 (In thousands):

<TABLE>

<CAPTION>

	Giga-tronics Instruments	ASCOR	Microsource	DYMATIX	Corporate	Total
<S>	<C>	<C>	<C>	<C>	<C>	
Revenue	\$ 17,061	\$ 6,484	\$ 8,984	\$ 5,107	\$ --	\$ 37,636
Interest income	35	10	--	2	120	167
Interest expense	--	31	455	287	(727)	(46)
Amortization & depreciation		924	152	1,004	128	-- 2,208
Pre-tax income (loss)	(805)	546	(777)	(2,791)	821	(3,006)
Assets	10,130	4,426	11,495	5,763	1,445	33,259

</TABLE>

March 28, 1998 (In thousands):

<TABLE>

<CAPTION>

	Giga-tronics Instruments	ASCOR	Microsource	DYMATIX	Corporate	Total
<S>	<C>	<C>	<C>	<C>	<C>	
Revenue	\$ 20,441	\$ 5,070	\$ --	\$ 11,302	\$ --	\$ 36,813
Interest income	--	40	--	5	470	515
Interest expense	5	--	--	183	(130)	58
Amortization & depreciation		1,110	163	--	134	-- 1,407
Pre-tax income (loss)	1,626	62	--	(1,192)	600	1,096
Assets	12,778	3,425	--	7,326	9,143	32,672

</TABLE>

The Company's Giga-tronics Instruments, ASCOR, and Microsource segments sell to agencies of the U.S. Government and U.S. defense-related customers. In fiscal 2000, 1999, and 1998 U.S. Government and U.S. defense-related customers accounted for 16%, 24%, and 12% of sales, respectively.

Export sales accounted for 30%, 20%, and 28% of the Company's sales in fiscal 2000, 1999, and 1998, respectively. Export sales by geographical area are shown below:

<TABLE>

<CAPTION>

Years ended (In thousands)	March 25, 2000	March 27, 1999	March 28, 1998
<S>	<C>	<C>	<C>
Americas	\$ 1,989	\$ 445	\$ 345
Europe	6,448	3,446	3,990
Asia	4,981	3,371	5,747
Rest of world	1,050	403	328
	\$ 14,468	\$ 7,665	\$ 10,410

</TABLE>

## 7 EARNINGS (LOSS) PER SHARE

Shares used in per share computations for the years ended March 25, 2000, March 27, 1999, and March 28, 1998 are as follows:

<TABLE>  
<CAPTION>

Years ended (In thousands except per share data)	March 25, 2000		March 27, 1999		March 28, 1998
<S>	<C>	<C>	<C>		
Net earnings (loss)	\$	1,139	\$	(1,858)	\$ 767
Weighted average:					
Common shares outstanding		4,379		4,338	4,319
Common share equivalents		314		--	58
Common shares assuming dilution		4,693		4,338	4,377
Net earnings per share of common stock	\$	0.26	\$	(0.43)	\$ 0.18
Net earnings per share of common stock assuming dilution	\$	0.24	\$	(0.43)	\$ 0.18
Stock options not included in computation		24		537	177

</TABLE>

The number of stock options not included in the computation of diluted EPS for the period ended March 27, 1999 is a result of the Company's loss from continuing operations and therefore the options are antidilutive. The number of stock options not included in the computation of diluted EPS for the periods ending March 25, 2000 and March 28, 1998 reflects stock options where the exercise prices were greater than the average market price of the common shares and are therefore antidilutive.

## 8 INCOME TAXES

Following are the components of the provision (benefit) for income taxes:

<TABLE>  
<CAPTION>

Years ended (In thousands)	March 25, 2000		March 27, 1999		March 28, 1998
Current:					
<S>	<C>	<C>	<C>		
Federal	\$	46	\$	(720)	\$ 413
State		7		4	20
		53		(716)	433
Deferred:					
Federal		(180)		(205)	50
State		100		(227)	(154)
		(80)		(432)	(104)
Charge in lieu of taxes attributable to employer stock option plans		127		--	--
Goodwill, for initial recognition of acquired tax benefits that previously were included in the valuation reserve		394		--	--
Provision (benefit) for income taxes	\$	494	\$	(1,148)	\$ 329

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are

as follows:

<TABLE>

<CAPTION>

Years ended (In thousands)	March 25, 2000	March 27, 1999
<S>	<C>	<C>
Current tax assets, net	\$ 3,570	\$ 2,309
Noncurrent tax asset (liabilities), net	(1,011)	169
Net deferred taxes	\$ 2,559	\$ 2,478
Future state tax effect	(188)	(238)
Allowance for doubtful accounts	196	187
Fixed asset depreciation	(1,116)	188
Inventory reserves and additional costs capitalized	2,747	2,797
Deferred revenue	19	52
Accrued vacation	268	251
Accrued warranty	237	162
Other accrued liabilities	330	269
Net operating loss carryforward	6,452	6,576
Unrealized loss (gain) on equity securities	--	(18)
Income tax credits	501	--
Valuation allowances	(6,887)	(7,748)
	\$ 2,559	\$ 2,478

</TABLE>

Income tax expense (benefit) differs from the amounts computed by applying the U.S. federal income tax rate to pre-tax income as a result of the following:

<TABLE>

<CAPTION>

Years ended (In thousands except percentages)	March 25, 2000	March 27, 1999	March 28, 1998
<S>	<C>	<C>	<C>
Statutory federal income tax (benefit)	\$ 555 34.0%	\$(1,022) 34.0%	\$ 372 34.0%
Beginning of year change in deferred			
Tax asset valuation allowance	(55) (3.4)	-- --	(85) (7.8)
State income tax, net of federal benefit	57 3.5	(146) 4.9	(87) (8.0)
Nontax deductible expenses	6 0.4	14 (0.4)	210 19.2
Interest income exempt from federal tax	(51) (3.1)	(19) 0.6	(83) (7.5)
Tax credits	(98) (6.0)	(58) 1.9	(24) (2.2)
Goodwill and patent amortization	88 5.4	84 (2.8)	-- --
Other	(8) (0.5)	(1) --	26 2.3
Effective income tax (benefit)	\$ 494 30.3%	\$(1,148) 38.2%	\$ 329 30.0%

</TABLE>

The change in valuation allowance from March 27, 1999 to March 25, 2000 was \$860,000. The change in valuation allowance from March 28, 1998 to March 27, 1999 was \$7,648,000. The change in valuation allowance from March 29, 1997 to March 28, 1998 was \$272,000.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets, which may not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income during the period in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on the historical taxable income and projections for future taxable income over the periods in which the deferred tax assets become deductible, management believes it more likely than not

that the Company will realize benefits of these deductible differences, net of valuation allowances as of March 25, 2000.

During the year ended March 27, 1999, the Company acquired approximately \$7,600,000 of deferred tax assets in the acquisition of Microsource, which was fully offset by a valuation allowance. Subsequent recognition of tax benefits relating to the valuation allowance for deferred tax assets of Microsource will be allocated to goodwill and the remainder to income tax benefit. At March 25, 2000, goodwill was reduced by the \$394,000 for the tax benefits realized from the Microsource deferred tax assets.

During the year ended March 25, 2000, disqualifying employee stock option dispositions resulted in an income tax deduction to the Company of approximately \$269,000 and a tax benefit of approximately \$127,000. The tax benefit has been reflected as an increase to the Company's paid-in-capital in the accompanying financial statements.

## 9 STOCK OPTIONS AND EMPLOYEE BENEFIT PLANS

**Stock Option Plan** The Company has established a stock option plan which provides for the granting of options for up to 700,000 shares of common stock at 100% of fair market value at the date of grant, with each grant requiring approval by the Board of Directors of the Company. Options granted vest in one or more installments as set forth in the relevant option agreement and must be exercised while the grantee is employed by the Company or within a certain period after termination of employment. Options granted to employees shall not have terms in excess of 10 years from the grant date. During December 1998, the Company offered options holders the opportunity to have outstanding options repriced to current fair value, with the related vesting period starting over. The Company cancelled and reissued (repriced) 405,250 options pursuant to the repricing. Holders of options may be granted stock appreciation rights (SAR's), which entitle them to surrender outstanding options for a cash distribution under certain changes in ownership of the Company, as defined in the stock option plan. As of March 25, 2000, no SAR's have been granted under the option plan. As of March 25, 2000, the total number of shares of common stock available for issuance is 608,312 under the Giga-tronics stock option plan and 17,048 under the prior Ultracision stock option plan. All outstanding options have a term of five years. With the merger of one of the Company's subsidiaries, the Company also assumed 56,370 options granted under its existing option plan. These options vest 100% after two years and have a term of five years.

Following is a summary of stock option activity:

<TABLE>

<CAPTION>

	Per Share Weighted Average Fair Value of Options Granted	Options Exercisable	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Outstanding as of March 29, 1997		12,150	318,870	\$ 7.058
Exercised		(950)	4,000	
Forfeited		(16,250)	4,115	
Granted	\$ 3.822	89,000	7,410	
Outstanding as of March 28, 1998		106,682	390,670	7.268
Exercised		(1,400)	2,660	
Forfeited		(561,456)	6,399	
Granted	\$ 2.914	807,750	2,818	
Outstanding as of March 27, 1999		48,814	635,564	2.391
Exercised		(28,204)	2,515	

Forfeited		(168,875)	2.118	
Granted	\$ 2.613	115,500	2.613	
<hr/>				
Outstanding as of March 25, 2000		131,424	553,985	\$ 2.514
<hr/>				

</TABLE>

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company is required to disclose the effects on net earnings and earnings per share as if it had elected to use the fair value method to account for employee stock-based compensation plans. Had the Company recorded a charge for the fair value of options granted consistent with SFAS No. 123, net earnings (loss) and net earnings (loss) per share would have been changed to the pro-forma (unaudited) amounts shown below:

<TABLE>

<CAPTION>

Years ended (In thousands except per share data)	March 25, 2000		March 27, 1999		March 28, 1998
<hr/>					
Net earnings (loss)					
<S>	<C>		<C>	<C>	
As reported	\$	1,139	\$	(1,858)	\$ 767
Pro-forma		872		(2,234)	404
Net earnings (loss) per share - basic					
As reported		0.26		(0.43)	0.18
Pro-forma		0.20		(0.52)	0.09
Net earnings (loss) per share - diluted					
As reported		0.24		(0.43)	0.18
Pro-forma	\$	0.19	\$	(0.52)	\$ 0.09

</TABLE>

For purposes of computing pro-forma (unaudited) consolidated net earnings (loss), the fair value of each option grant and Employee Stock Purchase Plan purchase right is estimated on the date of grant using the Black Scholes option pricing model. The assumptions used to value the option grants and purchase rights are stated below:

<TABLE>

<CAPTION>

Years ended	March 25, 2000	March 27, 1999	March 28, 1998
<hr/>			
<S>	<C>	<C>	<C>
Expected life of options	4 years	4 years	4 years
Expected life of purchase rights	6 mos	6 mos	6 mos
Volatility	60%	60%	60%
Risk-free interest rate	5.08 to 5.97	4.53 to 5.66	5.50 to 6.25
Dividend yield	Zero	Zero	Zero

</TABLE>

Options Outstanding and Exercisable as of March 25, 2000, by Price Range

<TABLE>

<CAPTION>

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
<hr/>					
<S>	<C>	<C>	<C>	<C>	<C>
\$2.09	374,187	3.71	\$ 2.094	84,876	\$ 2.094
From \$2.12 to \$4.00	155,798	3.81	2.717	22,548	2.827
\$7.75	24,000	0.79	7.750	24,000	7.750
<hr/>					
From \$2.09 to \$7.75	553,985	3.61	\$ 2.514	131,424	\$ 3.252
<hr/>					

</TABLE>

Employee Stock Purchase Plan Under the Company's Employee Stock Purchase Plan (the Purchase Plan), employees meeting specific employment qualifications are eligible to participate and can purchase shares semi-annually through payroll deductions at the lower of 85% of the fair market value of the stock at the commencement or end of the offering period. The Purchase Plan permits eligible employees to purchase common stock through payroll deductions for up to 10% of qualified compensation. As of March 25, 2000, 45,734 shares remain available for issuance under the Purchase Plan. The weighted average fair value of the purchase rights granted in fiscal 2000 was \$2.522.

401(k) Plan The Company has established 401(k) plans which cover substantially all employees. Participants may make voluntary contributions to the plan up to 20% of their defined compensation. The Company is required to match a percentage of the participants' contributions in accordance with the plan. Participants vest ratably in Company contributions over a four-year period. Company contributions to the plans for fiscal 2000, 1999, and 1998 were approximately \$151,000, \$153,000, and \$151,000, respectively.

## 10 COMMITMENTS

The Company leases a 47,300 square foot facility located in San Ramon, California, under a twelve-year lease (as amended) that commenced in April 1994. The Company leases a 18,756 square foot facility located in Fremont, California, under a seven-year lease that commenced in July 1999. The Company leases a 20,400 square foot facility located in Santa Clara, California, under a seven-year lease that commenced in July 1995. The Company leases a 49,090 square foot facility located in Santa Rosa, California, under a twenty-year lease that commenced in July 1993. These facilities accommodate all of the Company's present operations. The Company also has acquired equipment under capital and operating leases. The future minimum lease payments for equipment leases and facilities are shown below:

<TABLE>

<CAPTION>

Fiscal years (In thousands)		
<S>	<C>	<C>
	2001	\$1,679
	2002	1,692
	2003	1,575
	2004	1,535
	2005	874
	Thereafter	7,127
		-----
		\$14,482
		=====

</TABLE>

The aggregate rental expense was \$1,812,000, \$1,462,000, and \$959,000, in fiscal 2000, 1999, and 1998, respectively.

As of March 25, 2000, Property and Equipment includes equipment under capital lease of \$313,000 and related accumulated depreciation of \$99,000. As of March 27, 1999, Property and Equipment includes equipment under capital lease of \$502,000 and related accumulated depreciation of \$111,000. As of March 28, 1998, equipment under capital lease was not significant. The future minimum lease payments for capital equipment leases are shown below.

<TABLE>

<CAPTION>

Fiscal years (In thousands)	
--------------------------------	--

<S>		<C>	
2001		\$140	
2002		123	
2003		12	
		----	
Total		275	
Less interest costs		30	
		----	
Present value of minimum lease payments		245	
Less current portion		118	
		----	
Long term portion of capital lease obligations		\$127	
		=====	

</TABLE>

## 11 LINE OF CREDIT

The Company has an agreement with a bank for an unsecured revolving line of credit loan for \$7,000,000 with interest payable at prime rate or at LIBOR plus 1 1/2 percent. This credit line has not been utilized by the Company and expires July 31, 2000.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Giga-tronics Incorporated:

We have audited the accompanying consolidated balance sheets of Giga-tronics Incorporated and subsidiaries as of March 25, 2000 and March 27, 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for years ended March 25, 2000, March 27, 1999, and March 28, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Giga-tronics Incorporated and subsidiaries as of March 25, 2000, and March 27, 1999, and the results of their operations and their cash flows for the years ended March 25, 2000, March 27, 1999, and March 28, 1998, in conformity with generally accepted accounting principles.

/s/  
KPMG LLP

Mountain View, California  
May 2, 2000

<TABLE>  
<CAPTION>

## SELECTED FINANCIAL DATA

### SUMMARY OF OPERATIONS:

(In thousands except per share data)	March 25, 2000	March 25, 1999	March 27, 1998	March 28, 1997	March 29, 1996	March 30,
<S>	<C>	<C>	<C>	<C>	<C>	
Net sales	\$ 47,577	\$ 37,636	\$ 36,813	\$ 38,031	\$ 40,804	
Gross profit	15,810	11,534	15,789	14,627	15,916	
Operating expenses	14,315	15,293	15,172	13,096	13,714	
Interest income, net	59	121	457	533	221	
Earnings (loss) before income taxes		1,633	(3,006)	1,096	2,048	2,623
Net earnings (loss)	1,139	(1,858)	767	1,509	2,193	
Net earnings (loss) per share - basic	\$ 0.26	\$ (0.43)	\$ 0.18	\$ 0.35	\$ 0.52	
Net earnings (loss) per share - diluted	\$ 0.24	\$ (0.43)	\$ 0.18	\$ 0.34	\$ 0.51	

### FINANCIAL POSITION:

(In thousands except ratio)	March 25, 2000	March 25, 1999	March 27, 1998	March 28, 1997	March 29, 1996	March 30,
Current ratio	3.23	3.32	5.06	4.32	3.15	
Working capital	\$ 21,645	\$ 18,021	\$ 23,484	\$ 22,692	\$ 19,638	
Total assets	37,526	33,259	32,672	33,618	33,448	
Shareholders' equity	\$ 26,149	\$ 24,710	\$ 26,461	\$ 25,654	\$ 23,475	
Shares of common stock - basic	4,379	4,338	4,319	4,300	4,232	
Shares of common stock - diluted	4,693	4,338	4,377	4,376	4,297	

### PERCENTAGE DATA:

	March 25, 2000	March 27, 1999	March 28, 1998	March 29, 1997	March 30, 1996
Percent of net sales					
Gross profit	33.2	30.6	42.9	38.5	39.0
Operating expenses	30.1	40.6	41.2	34.4	33.6
Interest income, net	0.1	0.3	1.2	1.4	0.5
Earnings (loss) before income taxes		3.4	(8.0)	3.0	5.4
Net earnings (loss)	2.4	(4.9)	2.1	4.0	5.4

<TABLE>  
<CAPTION>

## SELECTED FINANCIAL DATA

### QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In thousands except per share data)	2000				
	First	Second	Third	Fourth	Year
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 11,505	\$ 11,834	\$ 11,314	\$ 12,924	\$ 47,577
Gross profit	3,451	3,948	3,990	4,421	15,810
Operating expenses	3,315	3,638	3,568	3,794	14,315
Interest income, net	(1)	3	22	35	59
Earnings (loss) before income taxes		162	324	460	687
Net earnings (loss)	112	227	322	478	1,139
Net earnings (loss) per share - basic	\$ 0.03	\$ 0.05	\$ 0.07	\$ 0.11	\$ 0.26
Net earnings (loss) per share - diluted	\$ 0.03	\$ 0.05	\$ 0.07	\$ 0.10	\$ 0.24
Equivalent shares of common stock - basic	4,362	4,368	4,383	4,402	4,379
Equivalent shares of common stock - diluted	4,372	4,483	4,611	4,846	4,693

### QUARTERLY FINANCIAL INFORMATION (UNAUDITED)



(In thousands except per share data)						
1999						
	First	Second	Third	Fourth	Year	
<S>	<C>	<C>	<C>	<C>	<C>	
Net sales	\$ 8,677	\$ 9,030	\$ 11,343	\$ 8,586	\$ 37,636	
Gross profit	3,313	2,834	3,690	1,697	11,534	
Operating expenses	3,806	3,950	3,672	3,865	15,293	
Interest income, net	112	6	2	1	121	
Earnings (loss) before income taxes	(377)	(1,076)	47	(1,600)	(3,006)	
Net earnings (loss)	(264)	(753)	34	(875)	(1,858)	
Net earnings (loss) per share - basic	\$ (0.06)	\$ (0.17)	\$ 0.01	\$ (0.20)	\$ (0.43)	
Net earnings (loss) per share - diluted	\$ (0.06)	\$ (0.17)	\$ 0.01	\$ (0.20)	\$ (0.43)	
Equivalent shares of common stock - basic	4,326	4,331	4,344	4,350	4,338	
Equivalent shares of common stock - diluted	4,326	4,331	4,362	4,350	4,338	

## COMMON STOCK MARKET PRICES

Giga-tronics' common stock is traded over the counter on NASDAQ/NMS National Market System using the symbol "GIGA". The number of record holders of the Company's common stock as of March 25, 2000 was close to 1,400. The table below shows the high and low closing bid quotations for the common stock during the indicated fiscal periods.

<TABLE>  
<CAPTION>

	2000	High	Low	1999	High	Low
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First quarter	(3/28-6/26)	3	1 3/4	(3/29-6/27)	7	4 3/4
Second quarter	(6/27-9/25)	3 5/16	1 13/16	(6/28-9/26)	5	2 13/32
Third quarter	(9/26-12/25)	7 1/2	2 1/2	(9/27-12/28)	3 1/4	2
Fourth quarter	(12/26-3/25)	22	6 1/2	(12/29-3/27)	3 7/16	2 1/8

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<CIK> 0000719274

<NAME> GIGA-TRONICS INCORPORATED

<MULTIPLIER> 1,000

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