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

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended March 28, 1998, 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 incorporation or organization)	(I.R.S. Employer Identification No.)

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 [X] 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. [X]

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 June 23, 1998 was $15,252,815. For purposes of this determination only, directors and officers of the Registrant have been assumed to be affiliates. There were a total of 4,326,299 shares of the Registrant's Common Stock outstanding as of June 23, 1998.

DOCUMENTS INCORPORATED BY REFERENCE

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

PART OF FORM 10-K DOCUMENT

PART II Registrant's ANNUAL REPORT TO
Items 5, 6, 7 and 8 SHAREHOLDERS for the fiscal year
ended March 28, 1998.

PART III Registrant's PROXY STATEMENT for its
Items 10, 11, 12 and 13 1998 annual meeting of shareholders
to be filed no later than 120 days
after the close of the fiscal year
ended March 28, 1998.

PART I

The forward-looking statements included in this report, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements included herein 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 The Company" in Item 1 below and in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference on pages 14 through 16 of the Company's 1998 Annual Report to Stockholders.

ITEM 1. BUSINESS

General

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.

Effective July 23, 1996, Giga-tronics acquired ASCOR, Inc.(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 Semiconductor Equipment, Inc. (Viking) by issuing approximately 420,000 shares of the Company's common stock in exchange for all of the common stock of Viking. The merger was accounted for using the pooling-of interest method of accounting. Viking, located in Fremont, 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, Inc. (Ultracision) by issuing approximately 517,000 shares of the Company's common stock in exchange for all of the common stock of Ultracision. The merger was accounted for using the pooling-of-interest method of accounting. Ultracision is a manufacturer of automation equipment for the test and inspection of silicon wafers. Ultracision additionally produces a line of probers for the testing and inspection of silicon devices.

The Company 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.

Recent Developments

Effective May 18, 1998, Giga-tronics Inc. completed an acquisition of Microsource, Inc. (Microsource). All the outstanding shares of Microsource were exchanged for $1,500,000 plus contingent future payments based on earnings from

Microsource for the next two years. The acquisition will be accounted for under the "purchase" method of accounting. 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.

Industry Segments

The Company manufactures products used in test, measurement and handling. The Company operates primarily in two industry segments; electronics and electro-mechanical test and measurement and semiconductor test and robotics.

Products and Markets

Test and Measurement

The Company 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. The Company's instruments are used in the design, production, repair and maintenance and calibration of other manufacturers' products, from discrete components to complex systems.

The Company also produces switch modules, and interface adapters that operate with a bandwidth from direct current (DC) to 18 GHz. The company'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.

Semiconductor Test and Robotics

In addition, the Company 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, the Company manufacturers 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 the Company 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 financial effect on the Company.

Seasonal Nature of Business

The business of the Company is not seasonal.

Working Capital Practices

The Company 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 1999, even though the outlook for defense-related orders continues to be soft. Defense related agencies accounted for 12%, 28% and 32% of net sales in fiscal 1998, 1997 and 1996, respectively. Commercial business accounted for 88%, 72% and 68%, of net sales in fiscal 1998, 1997 and 1996, respectively. 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 softening of product orders, and the resulting decline in defense sales revenues, is indicative of the world-wide decline in governmental defense spending. Any further decline in defense orders as a consequence of the foregoing circumstance, or otherwise, could have a material adverse effect on the business, operating results, financial condition and cash flows of Giga-tronics.

Backlog of Orders

On March 28, 1998, Giga-tronics had a backlog of approximately $6,492,000 compared to $10,192,000 at March 27, 1997. 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 necessarily 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. The Company believes that essentially all of the backlog will be shipped within the next twelve months.

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 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 Test and Measurement products compete with Hewlett Packard, Anritsu, Marconi and Rhode & Schwarz while the Semiconductor Test and Robotics 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.

In addition, 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.

Sales and Marketing

The Company markets its test and measurement products through its distributors and representatives to government and commercial customers, while the Company markets its semiconductor test and robotics equipment through separate distributors and sales representatives to semiconductor manufacturers.

Product Development

Products of the type manufactured by the Company 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 $6,200,000, $4,581,000 and $4,495,000 in fiscal 1998, 1997 and 1996, respectively. Activities included the development of new products and the improvement of existing products. It is management's intention to maintain 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.

Manufacturing

The assembly and testing of the Company's microwave, RF and power measurement products is done at its San Ramon facility. The assembly and testing of the Company's switching and connecting devices is done at its Fremont facility. The assembly and testing of the Company's line of optical inspection equipment used to manufacture and test semiconductor devices is done at a separate Fremont facility. The assembly and testing of the Company's automation equipment for the test, inspection, and handling of silicon wafers along with the test and assembly of the Company's prober line is 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 28, 1998, the Company employed 226 persons. 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 satisfactory.

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 $10,410,000, $11,896,000 and $10,320,000 in fiscal 1998, 1997 and 1996, respectively.

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 The Company

Although the Company has achieved more balance between its defense and commercial businesses, defense related orders remain important to the Company. The outlook for such orders continues to be soft especially in the far east. If this trend were to continue, shipments in the current year could fall short of plan with a concurrent decline in earnings. Current softness in the market for the Company's commercial products has resulted in a substantial decline in backlog. If this trend cannot be reversed in the near term, shipments in the current year could fall short of plan with a concurrent decline in earnings. However, 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 in the near term.

During fiscal years 1997 and 1998, Giga-tronics made three business acquisitions: ASCOR, Viking and Ultracision. Subsequent to year end, on May 18, 1998, Giga-tronics acquired Microsource. Giga-tronics has 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 result in a material adverse effect on Giga-tronics' financial condition, operating results and cash flow.

Prior to the 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.

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.

The market price of the Common Stock could be subject to significant fluctuations in response to variations in quarterly operating results, shortfalls in revenues or earning 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 months. 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 price.

ITEM 2. PROPERTIES

As of March 28, 1998, the Company'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.

The Company's marketing, sales and engineering offices and manufacturing facilities for its switching and connecting devices are located in approximately 12,160 square feet in Fremont, California, under a lease expiring on January 31, 1999.

The Company's marketing, sales and engineering offices and manufacturing facilities for its automation equipment for the inspection of silicon wafers and prober line are located in approximately 20,400 square foot facility in Santa Clara, California, under a lease expiring on June 30, 2002.

The Company's marketing, sales and engineering offices and manufacturing facilities for its line of optical inspection equipment used in the manufacture and test of semiconductor devices are located in an approximately 12,100 square foot facility in Fremont, California, owned by the Company.

ITEM 3. LEGAL PROCEEDINGS

As of March 28, 1998, the Company has no pending legal proceedings.

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 28, 1998. Executive Officers of the Company are listed on page 16 of this Form 10-K.

PART II

The Registrant's Annual Report to Shareholders for the year ended March 28, 1998, is filed as Exhibit 13.0 with the Form 10-K (the "1998 Annual Report"). The information responsive to Items 5, 6, 7 and 8, which is contained in the 1998 Annual Report, is specifically incorporated by reference in this Form 10-K. With the exception of such information, the 1998 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 1998 Annual Report, see "Common Stock Market Prices" which appears on page 31.

On July 27, 1997, Giga-tronics issued 419,997 shares of its common stock as consideration for all of the issued and outstanding shares of Viking Semiconductor Equipment, Inc. ("Viking") pursuant to an Agreement and Plan of Reorganization with Viking. The recipients of the shares were the 13 shareholders of Viking. In addition, on December 2, 1997, Giga-tronics issued 516,992 shares of its common stock in connection with its acquisition of all of the capital stock of Ultracision, Inc. ("Ultracision") pursuant to an Agreement and Plan of Reorganization with Ultracision. The recipients of the shares were the 12 shareholders of Ultracision. Both transactions were exempt from registration under the Securities Act pursuant to Section 2 (2).

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference from the 1998 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 1998 Annual Report, see "Management's Discussion and Analysis" which appears on pages 14 to 16.

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

Not yet applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following items which appear in the 1998 Annual Report are incorporated by reference:

<TABLE>

<S>	<C>
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

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

Not applicable.

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 the 1998 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 28, 1998.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Company's compensation of its executive officers is set forth under the heading "Executive Compensation" of the Proxy Statement, 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 28, 1998.

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 the Proxy Statement, 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 28, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

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>

Financial Statements	1998 Annual Report to Shareholders (Page No.)
<S>	<C>
Consolidated Balance Sheets - As of March 28, 1998 and March 29, 1997	17
Consolidated Statements of Operations - Years Ended March 28, 1998, March 29, 1997 and March 30, 1996	18
Consolidated Statements of Shareholders' Equity - Years Ended March 28, 1998, March 29, 1997 and March 30, 1996	19

<TABLE>
<CAPTION>

(a)(2) Schedules	Form 10-K (Page No.)
<S>	<C>
Report on Financial Statement Schedule and Consent of Independent Auditors	14
Schedule II - Valuation and Qualifying Accounts	15

</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 1998 Annual Report and the Proxy Statement are not to be deemed filed as part of this report.

(a)(3) Exhibits

Reference is made to the Exhibit Index which is found on pages 17 and 18 of this Form 10-K Report.

(b) Reports on Form 8-K

A report on Form 8K-A dated February 13, 1998 was filed on February 17, 1998. It consisted of the required disclosure of the financial statements for Ultracision.

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.

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>

<S>	<C>	<C>
/s/ GEORGE H. BRUNS, JR.	Chairman of the Board and Chief Executive Officer	6/24/98 (Date)

George H. Bruns, Jr.	(Principal Executive Officer)	
/s/ MARK H. COSMEZ II - - -------------------------------- Mark H. Cosmez II	Vice President, Finance and Chief Financial Officer (Principal Accounting Officer)	6/24/98 (Date)
/s/ JAMES A. COLE - - -------------------------------- James A. Cole	Director	6/24/98 (Date)
/s/ EDWARD D. SHERMAN - - -------------------------------- Edward D. Sherman	Director	6/24/98 (Date)
/s/ ROBERT C. WILSON - - -------------------------------- Robert C. Wilson	Director	6/24/98 (Date)

</TABLE>

Exhibit 23.0

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 1, 1998, except as to Note 14, which is as of May 21, 1998, included the related financial statement schedule as of March 28, 1998 and March 29, 1997, and for the years ended March 28, 1998, March 29, 1997, and March 30, 1996, incorporated herein by reference. 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 S3 of Giga-tronics Incorporated of our reports included herein and incorporated herein by reference.

/s/ KPMG PEAT MARWICK LLP

KPMG Peat Marwick LLP

Mountain View, California
June 24, 1998

GIGA-TRONICS INCORPORATED
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Column A	Column B	Column C	Column D	Column E

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Deductions (Recoveries)	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
	$	$	$	$	$
Year ended March 28, 1998					
Allowances deducted from assets:					
Accounts receivable:					
For doubtful accounts1	323,983	39,800	---	71,139	292,644
Total	323,983	39,800	---	71,139	292,644
Year ended March 29, 1997					
Accounts receivable:					
For doubtful accounts1	293,827	23,451	---	(6,705)	323,983
Total	293,827	23,451	---	(6,705)	323,983
Year ended March 30, 1996					
Accounts receivable:					
For doubtful accounts1	60,621	253,030	---	19,824	293,827
Total	60,621	253,030	---	19,824	293,827

</TABLE>

1 Allowance for accounts receivable collection exposure.

GIGA-TRONICS INCORPORATED
EXECUTIVE OFFICERS

Name	Age	Position
Curt M. Berggren	44	For the last 5 years, has been the President, Viking Semiconductor Equipment, Inc.
George H. Bruns, Jr.	79	Chief Executive Officer since January, 1995, Chairman of the Board and a Director of the Company. Founded 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 Peninsula Wireless Communications Inc. and Testronics. Inc.
Mark H. Cosmez II	47	Vice President, Finance/Chief Financial Officer, Giga-tronics from October 1997. Before joining the company, Mr. Cosmez was the chief 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. (IMSI), a NASDAQ traded software company. From 1994 to 1995, he was the corporate controller for The Software Toolworks.
Byron F. Flanders	62	Vice President, Manufacturing from June, 1996. Manager, Power Measurement Product Line with Giga-tronics from December, 1995

to June, 1996. Prior to joining Giga-tronics, Mr. Flanders was General Manager of Herguth Laboratories, Inc. from 1993 to 1995 and Vice President of Manufacturing for Zeta Graphics Corporation from 1977 to 1992.

Robert D. Geddes	55	Vice President, Marketing and Sales since July 15, 1996. Mr. Geddes previously served as Vice President Marketing and Sales for Systron Donner Corporation from April, 1986 to July 1996.
Gordon P. Hampton	62	For the last 5 years has been the President, Ultracision, Inc.
Lawrence A. Kaye	56	Vice President, Engineering since 1997. Director of Manufacturing Engineering from March, 1994 and as Director of Engineering from September 1993 to March, 1994. Mr. Kaye previously served as Vice President, Engineering with Giga-tronics from April 1980 to September, 1993.
James R. Koehn	57	President, Giga-tronics Instrument Division as of May 1998. Mr. Koehn previously served as President of Marconi Instruments, Inc. of Fort Worth, TX. Prior to December 1994 he was a Vice President at Tektronix.
Jeffrey T. Lum	52	For the last 5 years has been the President, ASCOR, Inc.
Edward D. Sherman	64	President of Microsource, Inc. from May 18, 1998. Assistant to the Chairman of Giga-tronics Incorporated April 1, 1997 to May 17, 1998. President and Chief Executive Officer of FET Acquisition Co., Inc. from April, 1995 through September, 1996. Served as Product Line Manager for Giga-tronics from May, 1995 through March, 1996. President and Chief Executive Officer at 3dbm, Inc. from January, 1994 through March, 1995. Prior to that time, and from 1990, Mr. Sherman served as President and Chief Executive Officer of Peninsula Engineering. Mr. Sherman has been a member of the Board of Directors since 1993.

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 on May 30, 1996, as Exhibit 2.1 to Form 10-K for the fiscal year ended March 30, 1996.

2.2 Letter of Agreement between Giga-tronics Incorporated and ASCOR, Inc., dated May 20, 1996, as previously filed on May 30, 1996, as Exhibit 2.2 to Form 10-K for the fiscal year ended March 30, 1996.

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 on Jun 13, 1997, as Exhibit 2.3 to Form 10-K for the fiscal year ended March 29, 1997.

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 Registrant, as amended, previously filed on May 6, 1983, as Exhibit 3.1 to Form S-1 registration, File No. 2-83581 (hereinafter "Form S-1"), and subsequently filed on July 3, 1991, as Exhibit 3.1 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.

3.2* By-laws of Registrant, as amended, previously filed on May 6, 1983, as Exhibit 3.2 to Form S-1, and subsequently filed on July 3, 1991, as Exhibit 3.2 to Form 10-K for the fiscal year ended March 30, 1991, on June 13, 1997 as Exhibit 3.2 to Form 10-K for the fiscal year ended March 29, 1997, and incorporated herein by reference.

10.4 1990 Restated Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on July 3, 1991, as Exhibit 10.4 to Form 10-K for the fiscal year ended March 30, 1991, subsequently filed on December 3, 1997 as Exhibit 19.1 to Form S-8 and incorporated herein by reference.

10.5 Standard form Indemnification Agreement for Directors and Officers, previously filed on July 3, 1991, as Exhibit 10.5 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.

10.6 Proposal for Retired Officers' Health Insurance, previously filed on July 3, 1991, as Exhibit 10.6 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.

10.7 Form Stock Option Agreement for Automatic Director Grants, previously filed on July 3, 1991, as Exhibit 10.7 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.

10.8 Special One Time Option Grant to Robert Wilson, previously filed on July 3, 1991, as Exhibit 10.8 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.

10.11 Asset Purchase and Licensing Agreement between John Fluke Mfg. Co., Inc. and Giga-tronics Incorporated dated June 3, 1993, previously filed on June 23, 1993, as Exhibit 10.11 to Form 10-K for the fiscal year ended March 27, 1993 and incorporated herein as reference.

10.12 Lease between Giga-tronics Incorporated and Calfront Associates for 4650 Norris Canyon Road, San Ramon, CA, dated December 6, 1993, previously filed as an exhibit to Form 10-K for the fiscal year ended March 26, 1994.

10.13 Employee Stock Purchase Plan, previously filed on August 29, 1997, as Exhibit 99.1 to Form S-8, and incorporated herein by reference.

10.14 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 and incorporated herein by reference.

13.0* 1998 Annual Report to Shareholders.

23.0* Report on Financial Statement Schedule and Consent of Independent Auditors. (See page 14 of this Annual Report on Form 10-K.)

27.0* Financial Data Schedule

* Attached as exhibits to this Form 10-K.

EXHIBIT 3.2

AMENDED AND RESTATED

BYLAWS OF

GIGA-TRONICS INCORPORATED

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AMENDED AND RESTATED
BYLAWS FOR THE REGULATION, EXCEPT AS
OTHERWISE PROVIDED BY STATUTE OR ITS
ARTICLES OF INCORPORATION, OF
GIGA-TRONICS INCORPORATED
A CALIFORNIA CORPORATION
(THE "CORPORATION")

ARTICLE I
Offices

Section 1.01 Principal Executive Office. The principal executive office of the Corporation is located at: 4650 Norris Canyon Road, San Ramon, California, 94583. The Board of Directors shall have full power and authority to, and to authorize appropriate officers of the Corporation to, change the location of said principal executive office and to establish other offices of the Corporation.

ARTICLE II
Shareholders

Section 2.01 Annual Meetings. An annual meeting of Shareholders shall be held for the election of Directors on the second Tuesday of July in each year (or, should such day fall upon a legal holiday, then at the same time on the first day thereafter which is not a legal holiday) at 10:00 o'clock A.M. of such day, or at such other time and/or date as the Board of Directors shall determine; provided, however, that such meeting shall be held not more than fifteen (15) months after the last preceding annual meeting (or, in the case of the first annual meeting, after the organization of the Corporation). Any other proper business may be transacted at the annual meeting.

Section 2.02 Special Meetings. Special meetings of the Shareholders, for the purpose of taking any action permitted by the Shareholders under the General Corporation Law and the Articles of Incorporation, may be called at any time by the chairman of the Board or the president, or by the Board of Directors, or by one or more Shareholders entitled to cast not less than ten percent (10%) of the votes at the meeting. Upon request in writing directed to the chairman of the Board, president, vice president or secretary by any person (other than the Board) entitled to call a special meeting of Shareholders that a special meeting of Shareholders be called for any proper purpose, the officer forthwith shall cause notice to be given to Shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, but not less than thirty-five (35) days, nor more than sixty (60) days, after receipt of the request.

Section 2.03 Adjourned Meetings. Any Shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares, the holders of which are either present in person or

represented by proxy thereat, but in the absence of a quorum no other business may be transacted at such meeting, except as provided in Section 2.06.

When a Shareholders' meeting is adjourned to another time or place, except as provided below, notice need not be given of the time and place of or of the business to be conducted at the adjourned meeting if the time and place thereof are announced at the meeting at which such adjournment is taken. When any Shareholders' meeting is adjourned for forty-five (45) days or more, or if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each Shareholder of record entitled to vote at the meeting.

At the adjourned meeting, provided that the quorum requirements of Section 2.06 are satisfied, the Corporation may transact any business which might have been transacted at the original meeting.

Section 2.04 Place of Meetings. All annual or other meetings of Shareholders shall be held at any place within or without the State of California which may be designated by the Board of Directors.

Section 2.05 Notice of Shareholder Meetings. Written notice of any meeting of Shareholders shall be given to each Shareholder entitled to vote, either personally or by first-class mail, or, if the outstanding shares of the Corporation are held of record by 500 or more persons (determined as provided by Section 605 of the General Corporation Law) on the record date for the Shareholders' meeting, by third-class mail, or other means of written communication, charges prepaid, addressed to such Shareholder at such Shareholder's address appearing on the books of the Corporation or given by such Shareholder to the Corporation for the purpose of notice. If no such address appears on the books of the Corporation and a Shareholder has given no address for the purpose of notice, then notice shall be deemed to have been given to such Shareholder if it is (i) sent by mail or other means of written communication addressed to the place where the principal executive office of the Corporation is located, or (ii) published at least once in a newspaper of general circulation in the county in which said principal executive office is located.

Any such notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication. An affidavit of mailing of any such notice in accordance with the foregoing provisions, executed by the secretary, assistant secretary or any transfer agent of the Corporation, shall be prima facie evidence of the giving of the notice.

If any notice addressed to the Shareholder at the address of such Shareholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Shareholder at such address, all future notices shall be deemed to have been duly given to such Shareholder without further mailing if the same shall be available for the Shareholder upon written demand of the Shareholder at the

principal executive office of the Corporation for a period of one year from the date of the giving of the notice to all other Shareholders.

Such written notice shall be given to each Shareholder entitled to vote at the meeting not less than ten (10) days nor more than sixty (60) days before the date of the meeting. Such written notice shall state:

(a) the place, the date, and the hour of such meeting; and

(b) in the case of a special meeting, the general nature of the business to be transacted (and no other business may be transacted at such meeting); and

(c) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the Shareholders, but, subject to the requirements of (d), (e) and (f) below, any proper matter may be presented at the meeting for action by the Shareholders; and

(d) if Directors are to be elected, the names of nominees intended at the time of the notice to be presented by the Board for election; and

(e) the general nature of any proposal to take action with respect to approval of (i) a contract or other transaction between the Corporation and one or more of its Directors or other persons described in Section 310 of the General Corporation Law, (ii) amendment of the Articles of Incorporation, (iii) a reorganization of the Corporation as defined in Section 181 of the General Corporation Law, (iv) voluntary dissolution of the Corporation, or (v) a plan of distribution in the course of dissolution of the Corporation other than in accordance with the liquidation rights of outstanding preferred shares, if any, pursuant to Section 2007 of the General Corporation Law; and

(f) such other matters, if any, as may be expressly required by applicable law.

Section 2.06 Quorum of the Shareholders. Unless otherwise provided in the Articles of Incorporation, a majority of the shares entitled to vote at the meeting, represented by holders in person or by proxy at the meeting, shall constitute a quorum for the transaction of business at the meeting. Whenever under the General Corporation Law any shares are disqualified from voting on any matter, they shall not be considered outstanding for purposes of determining the quorum required at a meeting held to act upon that matter.

The Shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum, and by any greater number of shares otherwise required to take such action by applicable law or the Articles of Incorporation.

Section 2.07 Conduct of Meetings. Subject to the requirements of applicable law, and the express provisions of the Articles of Incorporation and these Bylaws, all annual and special meetings of Shareholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any annual or special meeting of Shareholders shall be designated by the Board of Directors and, in the absence of any such designation, shall be the president of the Corporation.

Section 2.08 Proxies. Every person entitled to vote shares of this Corporation shall have the right to do so in person or by a written proxy executed by such person or his duly authorized agent and filed with the secretary of the Corporation, authorizing another person or persons to vote or execute consents with respect to such shares. Subject to the provisions of this Section and applicable law, any proxy duly executed continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto.

A proxy (other than a proxy which states that it is irrevocable and otherwise meets the requirements of Section 705(e) of the General Corporation Law) is revoked by:

(a) a written instrument revoking it, filed with the secretary of the Corporation prior to the vote pursuant thereto, or a duly executed proxy bearing a later date, executed by the person executing the proxy being revoked and presented at the meeting; or

(b) as to any meeting, by attendance at such meeting and voting of the shares subject thereto by the person executing the proxy; or

(c) written notice of the death or incapacity of the maker of such proxy received by the Corporation before the vote pursuant thereto is counted (but the death or incapacity of the maker of the proxy does not revoke the proxy prior to the receipt by the Corporation of such written notice); or

(d) the expiration of eleven (11) months from the date of the execution of the proxy, unless the person executing it specifies therein the length of time for which such proxy is to continue in force.

Section 2.09 Voting. The Board of Directors may fix a record date for the determination of the Shareholders entitled to vote at any meeting of Shareholders, and if a record date for voting purposes is not fixed by the Board, it shall be determined as provided in Section 6.01 below.

Unless the Articles of Incorporation provide for more or less than one vote per share, and subject to the following provisions with respect to voting on election of Directors, each outstanding share, regardless of class, shall be entitled to one vote on each

matter on which such share is entitled to be voted. Subject to the requirements of the next sentence, every Shareholder entitled to vote at any election for Directors shall have the right to cumulate such Shareholder's votes and to give one candidate a number of votes equal to the number of Directors to be elected by the class of shares such Shareholder is entitled to vote, multiplied by the number of votes to which such Shareholder's shares are normally entitled, or to distribute such Shareholder's votes on the same principle among as many candidates as the Shareholder thinks fit. No Shareholder shall be entitled to cumulate votes in accordance with the preceding sentence unless the name of the candidate or candidates for whom such votes would be cast has been placed in nomination prior to the voting and any Shareholder has given notice at the meeting, prior to the voting, of such Shareholder's intention to cumulate such Shareholder's votes. Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or (except in voting upon election of Directors) vote them against the proposal, but, if the Shareholder fails to specify the number of shares such Shareholder is voting affirmatively, it will be conclusively presumed that the Shareholder's approving vote is with respect to all shares such Shareholder is entitled to vote. Voting by the Shareholders may be a voice vote or by ballot; provided, however, that all elections for Directors must be by ballot upon demand made by a Shareholder at the meeting and before the voting begins.

Except as provided in the second paragraph of Section 2.06:

(a) the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the Shareholders, unless the vote of a greater number or voting by classes is required for such act by the General Corporation Law or the Articles of Incorporation, provided that, whenever under the General Corporation Law any shares are disqualified from voting on any matter, such shares shall not be considered outstanding for purposes of determining the required vote to approve such matter; and

(b) in the election of Directors, the candidates receiving the highest number of affirmative votes of shares entitled to be voted for them, up to the number of Directors to be elected by such shares, are elected. Votes against the Director and votes withheld shall have no legal effect.

Section 2.10 Inspectors of Election. In advance of any meeting of Shareholders, the Board of Directors may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, then, unless other persons are appointed by the Board of Directors prior to the meeting, the chairman of any such meeting may, and on the request of any Shareholder or a Shareholder's proxy shall, appoint inspectors of election (or persons to replace those who fail to appear or refuse to act) at the meeting. The number of inspectors shall be either one or three. If inspectors of election are to be appointed at a meeting on the request of one or more Shareholders or

proxies, the majority of shares represented in person or by proxy shall determine whether one or three inspectors are to be appointed.

The duties of such inspectors shall be as prescribed by Section 707 of the General Corporation Law and shall include: (a) determining the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; (b) receiving votes, ballots or consents; (c) hearing and determining all challenges and questions in any way arising in connection with the right to vote; (d) counting and tabulating all votes or consents and determining the result; and (e) taking such other action as may be proper to conduct the election or vote with fairness to all Shareholders. In the determination of the validity and effect of proxies the dates contained on the forms of proxy shall presumptively determine the order of execution of the proxies, regardless of the postmark dates on the envelopes in which they are mailed.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

Section 2.11 Validation of Defectively Called or Noticed Meetings. The transactions of any meeting of Shareholders, however called and noticed and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if the quorum requirements of Section 2.06 are satisfied, and if, either before or after the meeting, each of the following persons signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof:

(a) any person entitled to vote at the meeting not present at the meeting in person or by proxy;

(b) any person who, though present, has, at the beginning of the meeting, properly objected to the transaction of any business because the meeting was not lawfully called or convened; or

(c) any person who, though present, during the meeting has properly objected to the consideration of particular matters of business required by the General Corporation Law to be included in the notice of the meeting, but not so included.

All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Except as otherwise provided in the Articles of Incorporation and subject to the next sentence, neither the business to be transacted at, nor the purpose of, any annual or special meeting of Shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof. Any

such waiver of notice of or consent to the holding of a meeting at which a proposal described in Section 2.05(e) was or is to be acted upon shall contain a statement of the general nature of such proposal if no such statement was included in the notice of meeting.

Section 2.12 Action Without Meeting. Unless otherwise provided in the Articles of Incorporation:

Any action which, under any provision of the General Corporation Law, may be taken at a meeting of the Shareholders, may be taken without a meeting, upon notice as hereinafter set forth, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

All such written consents shall be filed with the secretary of the Corporation.

The Board of Directors may fix a record date for the determination of Shareholders entitled to give such written consent, and, if the record date for such determination is not fixed by the Board, it shall be determined as provided in Section 6.01 below.

Any Shareholder giving a written consent, or the Shareholder's proxyholders, or a transferee of the shares or a personal representative of the Shareholder, or their respective proxyholders, may revoke the consent by a writing received by the Corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the secretary of the Corporation, but may not do so thereafter. Such revocation, if timely, is effective upon its receipt by the secretary of the Corporation.

ARTICLE III
Directors

Section 3.01 Powers. Subject to limitations of the General Corporation Law and any limitations in the Articles of Incorporation as to action required to be authorized or approved by the Shareholders, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. Subject to the foregoing, the Board may delegate the management of the day-to-day operation of the business of the Corporation to officers, agents and employees of the Corporation.

Section 3.02 Number of Directors. The authorized number of Directors shall not be less than five (5) nor more than seven (7) until changed by amendment of the Articles of Incorporation or by a Bylaw amending this Section 3.02 duly adopted by the required percentage of outstanding shares required to vote on such amendment. The

exact number of Directors shall be fixed from time to time, within the limits specified, by resolution of the Board of Directors or Shareholders. Subject to the foregoing provisions for changing the exact number of Directors, the number of Directors of the Corporation shall be five (5).

Section 3.03 Election and Term of Office. At each annual meeting of Shareholders the Directors shall be elected to hold office until the next annual meeting. Each Director, including a Director elected to fill a vacancy, shall hold office until expiration of the term for which such Director was elected, and until a successor has been elected and qualified, subject to the General Corporation Law and the provisions of these Bylaws with respect to vacancies on the Board.

Section 3.04 Creation and Filling of Vacancies on the Board. A vacancy or vacancies on the Board of Directors shall be deemed to exist in case of the death, removal or resignation of any Director, if the authorized number of Directors is increased, or if the Shareholders fail, at any annual or special meeting of Shareholders at which any Director or Directors are to be elected, to elect the full authorized number of Directors to be elected at that meeting.

The Board of Directors may remove any Director who has been declared of unsound mind by an order of court or who has been convicted of a felony. In addition, any or all of the Directors may be removed without cause if such removal is approved by the vote or written consent of holders of a majority of the outstanding shares entitled to vote on the election of Directors, subject to the following:

(a) No Director may be removed (unless the entire Board is removed) when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of Directors authorized at the time of the Director's most recent election were then being elected; and

(b) When by the provisions of the Articles of Incorporation the holders of the shares of any class or series, voting as a class or series, are entitled to elect one or more Directors, any Director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

Any Director may resign effective upon giving written notice to the chairman of the Board, the president, the secretary or the Board of Directors of the Corporation, or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Unless otherwise provided in the Articles of Incorporation, vacancies in the Board of Directors, except for a vacancy created by the removal of a Director, may be

filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until occurrence of an event specified above creating a vacancy in such Director's office or until such Director's successor is elected and qualified. The Shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors; provided, however, that a vacancy in the Board of Directors created by the removal of a Director may only be filled by written consent if all shares entitled to vote on the election of Directors shall so consent in writing.

Section 3.05 Fees and Compensation. By resolution of the Board of Directors, one or more of the Directors may be paid a retainer for their services as Directors, or a fixed fee (with or without expenses of attendance) for attendance at each meeting, or both. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

Section 3.06 Organization Meeting. Immediately following each annual meeting of Shareholders, the Board of Directors shall hold a regular meeting at the place of said annual meeting or at such other place as shall be fixed by the Board of Directors, for the purpose of organization, election of officers, and the transaction of other business. Call and notice of such meeting are hereby dispensed with.

Section 3.07 Other Regular Meetings. Other regular meetings of the Board of Directors may be held at the time and place of regular meetings of the Board fixed in advance by the Board of Directors. Call and notice of such regular meetings of the Board of Directors are hereby dispensed with.

Section 3.08 Special Meetings. Special meetings of the Board of Directors, for the purpose of taking any action permitted by the Directors under the General Corporation Law and the Articles of Incorporation, may be called at any time by the chairman of the Board, the president, any vice president, the secretary or by any two Directors.

Notice of a meeting need not be given to any Director who signs a waiver of notice or a consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior to the meeting or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Subject to the preceding sentence, notice of the time and place of special meetings shall be given to each Director (a) personally or by telephone or by telegraph, in each case forty-eight (48) hours prior to the holding of the meeting, or (b) by mail, charges prepaid, addressed to him at his address as it is shown upon the records of the Corporation or, if it is not so shown on such records and is not readily ascertainable, at the place at which the meetings of the Directors are regularly held, at least four (4) days prior to the holding of the meeting. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any

other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Any notice, waiver of notice or consent to holding a meeting shall state the time and place of the meeting but need not specify the purpose of the meeting.

Section 3.09 Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within or without the State which has been designated by resolution of the Board. In the absence of such designation meetings shall be held at the principal executive office of the Corporation.

Section 3.10 Action at a Meeting: Quorum and Required Vote. Presence in person of a majority of the authorized number of Directors at a meeting shall constitute a quorum of the Board for the transaction of business, except as hereinafter provided. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting as permitted in the preceding sentence constitutes presence in person at such meeting.

Except as provided in the next sentence, every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless a greater number is required by applicable law, by the Articles of Incorporation, or by these Bylaws. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, provided that any action taken must be approved by at least a majority of the required quorum for such meeting.

Section 3.11 Adjournment. A majority of the Directors present at any meeting, whether or not a quorum is present, may adjourn any Directors' meeting to another time and place. If any meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment. Otherwise notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place is fixed at the meeting adjourned.

Section 3.12 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of such Directors.

Section 3.13 Committees of the Board. By resolution adopted by a majority of the authorized number of Directors, the Board of Directors may designate an executive committee, an audit committee and such other committees as it shall determine, each consisting of two or more Directors, to serve at the pleasure of the Board, and prescribe the manner in which proceedings of such committees shall be conducted. The appointment of members or alternate members of a committee shall be by a majority vote of the authorized number of Directors. For purposes of these Bylaws, the term "audit committee" shall mean any committee of the Board of Directors to which is delegated the function of periodically reviewing the financial condition, and the results of audit examinations, of the Corporation with the Corporation's independent public accountants. The audit committee, if appointed, shall not include any officer or employee of the Corporation unless the Board of Directors shall specifically designate an officer or employee to serve on such committee.

Unless, to the extent permitted by the General Corporation Law, the Board of Directors shall otherwise prescribe the manner of proceedings of any such committee, the provisions of these Bylaws and Section 307 of the General Corporation Law with respect to notice and conduct of meetings of the Board shall govern committees of the Board and action by such committees.

Any such committee, to the extent provided in a resolution of the Board, shall have all of the authority of the Board, except with respect to:

(a) the approval of any action for which the General Corporation Law or the Articles of Incorporation also require approval of the Shareholders;

(b) the filling of vacancies on the Board or on any committee;

(c) the fixing of compensation of the Directors for serving on the Board or on any committee;

(d) the adoption, amendment or repeal of Bylaws;

(e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

(f) any distribution to the Shareholders, except at a rate or in a periodic amount or within a price range determined by the Board; and

(g) the appointment of other committees of the Board or the members thereof.

ARTICLE IV
Officers

Section 4.01 Officers. The officers of the Corporation shall be a president, a corporate secretary and chief financial officer. The Corporation may also have, at the discretion of the Board of Directors, a chairman of the Board and such other officers, with such titles and duties as may be determined by the Board of Directors. One person may hold two or more offices.

Section 4.02 Election and Term of Office. The officers of the Corporation shall be chosen by the Board of Directors, and each shall hold office at the pleasure of the Board or until such officer shall resign, subject, in each case, to the rights, if any, of the Corporation and any such officer under any contract of employment with the Corporation.

Section 4.03 Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board of Directors, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors, subject, in each case, to the rights, if any, of any such officer under any contract of employment with the Corporation.

Any officer may resign at any time by giving written notice to the Corporation, without prejudice, however, to the rights, if any, of the Corporation under any contract to which such officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.04 Vacancies. A vacancy in any office shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 4.05 Duties and Compensation. Officers of the Corporation shall have such powers and duties, and shall receive such compensation therefor, as may be specified from time to time by the Board of Directors. In the absence of any contrary determination by the Board of Directors, the president shall be the general manager and chief executive officer of the Corporation and shall, subject to the power and authority of the Board of Directors, have general supervision, direction, and control of the officers, employees, business, and affairs of the Corporation.

ARTICLE V

Indemnification of Agents

Section 5.01 Indemnification of Corporate Agents.The Corporation shall indemnify its directors, and, by action of the Board of Directors, may indemnify each of its other agents, against expenses, judgments, fines, settlements and other amounts

actually and reasonably incurred by such person by reason of such person's having been made or having threatened to be made a party to a proceeding in excess of the indemnification otherwise permitted by the provisions of Section 317 of the California Corporations Code subject to the limits on such excess indemnification set forth in Section 204 of the California Corporations Code.

Section 5.02 Advancement of Expenses. Expenses incurred by a director of the corporation in defending a civil or criminal action, suit or proceeding by reason of fact that he is or was a director of the corporation (or was serving at the corporation's request as a director or officer of another corporation) shall be paid by the corporation in advance of final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized by relevant sections of the General Corporation Law of California.

ARTICLE VI

Miscellaneous

Section 6.01 Record Date. The Board of Directors may fix a time in the future as a record date for the determination of the Shareholders entitled to notice of and to vote at any meeting of Shareholders or to give consent to corporate action in writing without a meeting, to receive any report, to receive payment of any dividend or distribution or allotment of rights, or to exercise rights in respect to any other lawful action. The record date so fixed in advance shall not be more than sixty (60) days nor less than ten (10) days prior to the date of any meeting, nor more than sixty (60) days prior to any other event for the purposes of which it is fixed.

If no record date is fixed by the Board of Directors:

(a) The record date for determining Shareholders entitled to notice of or to vote at a meeting of Shareholders shall be the business day next preceding the day on which notice is given or, if notice is waived, the business day next preceding the day on which the meeting is held;

(b) The record date for determining Shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is given; and

(c) The record date for determining Shareholders for any other purpose shall be the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such action, whichever is later.

A determination of Shareholders of record entitled to notice of or to vote at a meeting of Shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting, but the Board shall fix a new

record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

Subject to the provisions of Sections 702 to 704 of the General Corporation Law relating to voting of shares held by a fiduciary, receiver, pledgee, or a minor or in the name of a Corporation or in joint ownership, only Shareholders of record at the close of business on the record date are entitled to notice and to vote at any such meeting, to give consent without a meeting, to receive any report, to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, as to which such record date is fixed, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided in the Articles of Incorporation or by agreement or applicable law.

Section 6.02 Maintenance of Books and Records. The Corporation shall keep adequate and correct books and records of account and shall keep minutes of the proceedings of its Shareholders, Board of Directors and committees of the Board and shall keep at its principal executive office, or at the office of its transfer agent or registrar, a record of its Shareholders, giving the names and addresses of all Shareholders and the number and class of shares held by each. Such minutes shall be kept in written form. Such other books and records may be kept either in written form or in any other form capable of being converted into written form.

This Corporation shall keep at its principal executive office in California, or if its principal executive office is not in California, then at its principal office in California (or otherwise provide upon written request of any Shareholder) the original or a copy of these Bylaws, as amended to date, certified by the secretary.

Section 6.03 Inspection of Corporate Records. These Bylaws, as amended to date, the accounting books and records, the record of Shareholders, and minutes of proceedings of the Shareholders and the Board and committees of the Board of this Corporation and any subsidiary of this Corporation shall be open to inspection upon the written demand on the Corporation of any Shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a Shareholder or as the holder of such voting trust certificate. Such inspection by a Shareholder or holder of a voting trust certificate may be made in person or by agent or attorney, and the right of inspection in this paragraph includes the right to copy and make extracts at such holder's expense.

Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the Corporation and its subsidiaries. Such inspection by a Director may be made in person or by agent or attorney and the right of inspection includes the right to copy and make extracts.

Section 6.04 Certificates for Shares. Every holder of shares in this Corporation shall be entitled to have a certificate signed in the name of this Corporation

by the chairman or vice chairman of the Board or the president, a chief executive officer or a vice president and by the chief financial officer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the Shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

If the shares of this Corporation are at any time classified, or if any class of shares has two or more series, any such certificate for shares of this Corporation shall contain, on its face or on the reverse thereof with a reference thereto on its face, one of the statements required by Section 417 of the General Corporation Law.

Any such certificate shall also contain such legend or other statement as may be required by Sections 409(d) and 418 of the General Corporation Law, the Corporate Securities Law of 1968, the federal securities laws, and any agreement between the Corporation and the issuee thereof.

This Corporation may issue a new share certificate or a new certificate for any other security in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed. This Corporation may require the owner of the lost, stolen or destroyed certificate or the owner's legal representative to give the Corporation a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

When the Articles of Incorporation are amended in any way affecting the statements contained in the certificates for outstanding shares, or it becomes desirable for any reason, in the discretion of the Board of Directors, to cancel any outstanding certificate for shares and issue a new certificate therefor conforming to the rights of the holder, the Board may order any holders of outstanding certificates for shares to surrender and exchange them for new certificates within a reasonable time to be fixed by the Board.

The order may provide that a holder of any certificates so ordered to be surrendered is not entitled to vote or to receive dividends or exercise any of the other rights of Shareholders until the holder has complied with the order, but such order operates to suspend such rights only after notice and until compliance. The duty of surrender of any outstanding certificates may also be enforced by civil action.

Section 6.05 Representation of Shares of This and Other Corporations. All rights incident to any and all shares of another corporation or corporations standing in the name of this Corporation may be exercised by such officer, agent or proxyholder as the Board of Directors may designate. In the absence of such designation, such rights may be exercised by the chairman of the Board or the president of this Corporation, or by

any other person authorized to do so by the chairman of the Board or the president of this Corporation.

Except as provided below, shares of this Corporation owned by any subsidiary of this Corporation shall not be entitled to vote on any matter.

Shares of this Corporation held by this Corporation in a fiduciary capacity, and shares of this Corporation held in a fiduciary capacity by any subsidiary of this Corporation, shall not be entitled to vote on any matter, except to the extent that the settlor or beneficial owner possesses and exercises a right to vote or to give this Corporation or such subsidiary binding instructions as to how to vote such shares.

Solely for purposes of this Section 6.05, a corporation shall be considered a "subsidiary" of this Corporation if this Corporation owns directly, or indirectly through one or more subsidiaries, shares of the other corporation possessing more than twenty-five percent (25%) of the power to vote for the election of Directors at the time determination of such voting power is made.

Section 6.06 Construction of These Bylaws. Unless the context of a Section of these Bylaws otherwise requires, the terms used in these Bylaws shall have the meanings provided in, and these Bylaws shall be construed in accordance with, Chapter 1 of the General Corporation Law.

ARTICLE VII

Amendments

Section 7.01 Power of Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote or written consent of a majority of the outstanding shares entitled to vote, except as otherwise expressly provided by applicable law or by the Articles of Incorporation or elsewhere in these Bylaws.

Section 7.02 Power of Directors. Subject to the right of Shareholders, as provided in Section 7.01, to adopt, amend or repeal Bylaws, Bylaws (other than a Bylaw or amendment thereof changing the authorized number of Directors or otherwise restricted by applicable law, the Articles of Incorporation or these Bylaws subject to amendment or repeal by the Shareholders) may be adopted, amended or repealed by the Board of Directors.

EXHIBIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS FOR FISCAL 1998, 1997, AND 1996

The acquisitions of Viking Semiconductor Equipment, Inc. and Ultracision, Inc. were completed in fiscal 1998 and were accounted for by the pooling of interests method of accounting. Accordingly, financial results for all periods reflect the consolidated Company. These mergers positioned the Company to expand its market for test and measurement products into the semiconductor manufacturing segment.

New orders received in 1998 were $33,092,000, a decrease of 6% from 1997. At year end 1998, the Company's backlog of unfilled orders was $6,492,000, compared to $10,192,000 at the end of 1997. The majority of the decline in backlog is attributable to the semiconductor product line. At the beginning of the year, several large semiconductor orders were awaiting completion and were subsequently shipped in 1998. There were no new large orders pending completion at the end of the year due to softening in the semiconductor equipment market, partially as a result of turmoil in the Asian market.

Net sales for 1998 were $36,813,000, a 3% decrease from 1997, which follows a 7% decrease in 1997 from 1996. Reduced sales volume for signal generator (SG) and radio frequency (RF) products were the major factors for the sales decline in both years. Aging of the product lines, lack of new product releases, and the continued decline in defense-related programs was the cause of the revenue decline for these products. In 1998, SG sales declined $3.4 million and RF sales declined by $.6 million. Switching module sales also declined $1.7 million due to the timing of large procurements and declining military programs. These declines were partially offset by an increase of $2.3 million in power meter (PM) sales and $2.2 million in semiconductor products. The increase in PM products is due to new product releases and the growth in the wireless telecommunications market. The growth in the semiconductor products reflects the introduction of several new products and increased manufacturing output.

Gross profit as a percent of sales increased to 43% in 1998 from 38% in 1997 and 39% in 1996. The increase in gross profit is attributable to lower labor content, lower depreciation, and lower controllable manufacturing expenses as a result of cost cutting measures to control expenses. The prior year also included a heavily discounted sale of signal generators which did not reoccur in 1998.

Operating expenses increased 16% in 1998 over 1997. Product development costs increased $1.6 million in 1998 to $6.2 million in an effort to develop new products in each of the Company's product lines. The increased product development spending in 1998 has resulted in the introduction of several new products, with additional new products anticipated for release in 1999. The Company introduced the 2300 Series Ball Grid Array furnace loader, the 1044 Die Sorter, the 1046 Series Tape and Reel, and the 1063 Die Bonder, all of which are used in the semiconductor manufacturing process. The Company also introduced the AutoBoxer, used in handling of wafers during the manufacturing process, and changed its basic software for its semiconductor products to the Windows NT platform and Secs2/Gem protocol. Significant development expenses were also incurred to develop the 12000A Signal Generator in the SG product line. Developments in the PM line include a new power meter in addition to a hand held power meter. Selling, general and administrative expenses increased in 1998 due to $643,000 of transaction costs associated with the mergers of Viking Semiconductor Equipment, Inc. and Ultracision, Inc. Operating expenses were 4% lower in 1997 than 1996. Product development spending in 1997 and 1996 was flat at $4.6 million and $4.5 million. Costs were lower in selling, general and administrative in 1997 compared to 1996 due to lower advertising and commission expenses. Advertising expenses decreased in 1997 due to an effort to reduce the advertising frequency while increasing the focus by targeting specific publications. Commission expenses declined as a result of reduced sales.

Net interest income in 1998 declined 14% from 1997 due to lower cash available for investment. The cash decline resulted from extinguishing the debt of the acquired subsidiaries, increased funding for new product development, and acquisition costs. Net interest income increased 141% in 1997 over 1996 due to an increase in cash available for investment, resulting from lower inventory levels and positive earnings in 1996 and 1997.

The provision for income taxes in 1998 was $329,000 or 30% of pre-tax income. The provision for income taxes in 1997 was $539,000 or 26% of pre-tax income, and the provision for income taxes in 1996 was $430,000 or 16% of pre-tax income. The lower tax rate in 1996 was due principally to the utilization of tax loss carryovers associated with an acquired subsidiary for which it had previously not taken benefit.

The Company recorded net earnings of $767,000, or $0.18 per share, in 1998, a 47% decrease in earnings per share from $0.34 in 1997. Earnings per share in 1997 of $0.34 was a 33% decrease over the $0.51 per share in 1996. The decline in 1998 earnings was due to the 35% increase in product development spending and transaction costs related to the mergers. The decline in 1997 earnings was due to reduced sales volume from 1996.

FINANCIAL CONDITION AND LIQUIDITY

As of March 28, 1998, the Company had $10,335,000 in cash, cash equivalents, and investments, compared to $14,209,000 as of March 29, 1997 and $11,754,000 as of March 30, 1996. Cash used in operations amounted to $1,099,000 in 1998, compared to cash provided by operations of $3,285,000 in 1997, and cash provided by operations of $5,097,000 in 1996. 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. Cash provided by operations in 1997 and 1996 is attributed to operating income in both years and reductions in accounts receivable in 1997 and inventory balances in 1997 and 1996.

The Company continues to maintain a strong financial position, with working capital at year end of $23,176,000 compared to $22,692,000 and $19,638,000 in 1997 and 1996, respectively. The Company's current ratio of 4.80 increased from the 1997 and 1996 current ratio of 4.32 and 3.15, respectively.

Additions to property and equipment were $779,000 in 1998, compared to $1,166,000 and $785,000 in 1997 and 1996, respectively. This spending reflects continuing investments to support new product development, increased productivity, and improved product quality. Other cash outflows for 1998 were payments on credit lines and notes payable of the acquired subsidiaries of $1,174,000 and the issuance of a note receivable of $860,000 to Microsource, Inc., a subsequent acquisition. Other cash inflows in 1998 were $69,000 of common stock in connection with the exercise of stock options, and $1,457,000 from maturities of investments, net of purchases, which are 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 intends to continue increased product development expenditures in the near term for the purpose of broadening its product base, especially in the SG and PM lines. It has been 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. Subsequent to year end, on May 18, 1998, the Company acquired Microsource, Inc. of Santa Rosa. This acquisition will require cash outflows for the purchase price of the acquisition, the repayment of Microsource's loans, and operating cash needs at Microsource. Subsequent to year end, the Company has established a seven million dollar unsecured line of credit, none of which has been used.

Like many other companies, the year 2000 computer issue creates risk for the Company. If internal systems do not correctly recognize date information when the year changes to 2000, there could be an adverse impact on the Company's operations. The Company has initiated a comprehensive project to prepare computer systems for the year 2000 and plans to have changes to critical systems completed by March 27, 1999. The Company is also assessing the capability of its products sold to customers over a period of years to handle the year 2000 and has a plan in place to address product issues. Management believes the likelihood of a material adverse impact due to problems with internal systems or products sold to customers is remote and the costs associated with these projects are not expected to have a material effect on the Company's financial position or overall trends in results of operations. The Company is also contacting critical suppliers of products and services to determine that the suppliers' operations and the product and services they provide are year 2000 capable or to monitor their progress toward year 2000 capability. There can be no assurance that another company's failure to ensure year 2000 capability would not have an adverse effect on the Company.

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 130, "Reporting Comprehensive Income". This Statement establishes standards for reporting and displaying comprehensive income and its components in the financial statements. It requires that a company classify items of other compensation income, as defined by accounting standards, by their nature (e.g. unrealized gains or losses on securities) in a financial statement, but does not require a specific format for that statement. The Company is in the process of determining its preferred format. The accumulated balance of other comprehensive income is to be displayed separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. This Statement is effective with fiscal 1999 financial statements.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The statement requires that a public business enterprise report financial and descriptive information about its reportable operating segments on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments. This statement is effective with fiscal 1999 financial statements. The Company is currently evaluating the impact of these new Statements.

The 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 1998 Report 10-K under "Item 1. Business" as filed with the Securities and Exchange Commission.

<TABLE>
<CAPTION>

C O N S O L I D A T E D   B A L A N C E   S H E E T S

(In thousands except share data)	March 28, 1998	March 29, 1997
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,611	$ 6,999
Investments	5,724	7,210
Notes receivable	860	--
Trade accounts receivable, net of allowance of $292 and $324, respectively	6,924	4,556
Inventories, net	8,064	8,260
Prepaid expenses	997	475
Deferred income taxes	2,092	2,036
TOTAL CURRENT ASSETS	29,272	29,536
Property and equipment		
Land	279	279
Building and leasehold improvements	782	745
Machinery and equipment	8,880	8,182
Office furniture and fixtures	689	683
Property and equipment, gross cost	10,630	9,889
Less accumulated depreciation and amortization	7,885	6,953
PROPERTY AND EQUIPMENT, NET	2,745	2,936
PATENTS AND LICENSES	577	1,030
OTHER ASSETS	78	116
TOTAL ASSETS	$ 32,672	$ 33,618
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Line of credit	$ --	$ 189
Current portion of long term debt	--	76
Accounts payable	2,659	2,455
Accrued commissions	516	310
Accrued payroll and benefits	939	1,057
Accrued warranty	673	740
Customer advances	612	1,081
Other current liabilities	697	936
TOTAL CURRENT LIABILITIES	6,096	6,844
LONG TERM DEBT, EXCLUDING CURRENT PORTION	--	909
OBLIGATIONS UNDER CAPITAL LEASE AND OTHER LONG TERM OBLIGATIONS	58	90
DEFERRED INCOME TAXES	57	121
TOTAL LIABILITIES	6,211	7,964
SHAREHOLDERS' EQUITY		
Preferred stock of no par value; Authorized 1,000,000 shares; no shares outstanding at March 28, 1998 and March 29, 1997	--	--

Common stock of no par value; Authorized 40,000,000 shares; 4,326,299 shares at March 28, 1997 and 4,316,188 shares at March 29, 1997 issued and outstanding	11,532	11,463
Unrealized gain (loss) on investments	(18)	11
Retained earnings	14,947	14,180
TOTAL SHAREHOLDERS' EQUITY	26,461	25,654
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 32,672	$ 33,618

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

<TABLE>
<CAPTION>

C O N S O L I D A T E D   S T A T E M E N T S   O F   O P E R A T I O N S

Years ended (In thousands except per share data)	March 28, 1998	March 29, 1997	March 30, 1996
<S>	<C>	<C>	<C>
NET SALES	$36,813	$38,031	$40,804
Cost of sales	21,024	23,404	24,888
GROSS PROFIT	15,789	14,627	15,916
Product development	6,200	4,581	4,495
Selling, general and administrative	8,537	7,956	8,659
Amortization of intangibles	435	559	560
Operating expenses	15,172	13,096	13,714
OPERATING INCOME	617	1,531	2,202
Other income (expense)	22	(16)	200
Interest income, net	457	533	221
EARNINGS BEFORE INCOME TAXES	1,096	2,048	2,623
Provision for income taxes	329	539	430
NET EARNINGS	$ 767	$ 1,509	$ 2,193
EARNINGS PER COMMON SHARE - BASIC	$ 0.18	$ 0.35	$ 0.52
EARNINGS PER COMMON SHARE - DILUTED	$ 0.18	$ 0.34	$ 0.51
WEIGHTED AVERAGE BASIC COMMON SHARES OUTSTANDING	4,319	4,300	4,232
WEIGHTED AVERAGE DILUTED COMMON SHARES OUTSTANDING	4,377	4,376	4,297

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See Accompanying Notes to Consolidated Financial Statements

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C O N S O L I D A T E D S T A T E M E N T S O F S H A R E H O L D E R S' E Q U I T Y

(In thousands except share data)	Common Stock Shares	Common Stock Amount	Unrealized Gain (Loss) on Investments	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT MARCH 25, 1995	4,206,285	$10,898	$ (77)	$10,310	$21,131
Stock issuance under stock option plans	77,454	260	---	---	260
Stock repurchase	(23,774)	(99)	---	(20)	(119)
Dividends declared	---	---	---	(20)	(20)
Unrealized gain on investments, net of income tax expense of $16	---	---	30	---	30
Net earnings	---	---	---	2,193	2,193
BALANCE AT MARCH 30, 1996	4,259,965	11,059	(47)	12,463	23,475
Stock issuance under stock option plans	81,857	345	---	---	345
Stock repurchase	(25,634)	(42)	---	(19)	(61)
Dividends declared	---	---	---	(27)	(27)
Tax benefit associated with exercise of stock options	---	101	---	---	101
Unrealized gain on investments, net of income tax expense of $31	---	---	58	---	58
Net earnings	---	---	---	1,509	1,509
Adjustment to conform year-end of subsidiary	---	---	---	254	254
BALANCE AT MARCH 29, 1997	4,316,188	11,463	11	14,180	25,654
Stock issuance under stock option plans	10,111	69	---	---	69
Unrealized loss on investments, net of income tax benefit of $16	---	---	(29)	---	(29)
Net earnings	---	---	---	767	767
BALANCE AT MARCH 28, 1998	4,326,299	$11,532	$ (18)	$14,947	$26,461

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

<TABLE>
<CAPTION>

C O N S O L I D A T E D S T A T E M E N T S
O F C A S H F L O W S

Years ended (In thousands)	March 28, 1998	March 29, 1997	March 30, 1996
<S>	<C>	<C>	<C>
CASH FLOWS PROVIDED FROM OPERATIONS:			
Net earnings	$ 767	$ 1,509	$ 2,193
Adjustments to reconcile net earnings to net cash provided by (used in) operations:			
Depreciation and amortization	1,407	1,599	1,762
Gain on sale of fixed assets	(3)	54	--
Deferred income taxes	(120)	(411)	(272)
Changes in operating assets and liabilities:			
Trade accounts receivable	(2,368)	1,715	(494)
Inventories	196	525	1,601
Prepaid expenses	(522)	(202)	396
Accounts payable	204	(732)	1,060
Accrued commissions	206	(51)	43
Accrued payroll and benefits	(118)	133	(126)
Accrued warranty	(67)	10	193
Accrued earnout and other expenses	(212)	(347)	(353)
Customer advances	(469)	(401)	(909)
Income taxes payable	--	(116)	3
NET CASH PROVIDED BY (USED IN) OPERATIONS	(1,099)	3,285	5,097
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investments	(36,294)	(28,105)	(7,315)

Maturities of investments	37,751	26,266	5,863
Additions to property and equipment, net	(779)	(1,166)	(785)
Issuance of notes receivable	(860)	--	--
Other assets	57	120	90
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(125)	(2,885)	(2,147)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	69	446	260
Repurchase of common stock	--	(61)	(119)
Dividends paid	(27)	(21)	(14)
Proceeds (payment) on line of credit	(189)	(66)	252
Payment on notes payable and long term debt	(985)	(414)	(266)
Purchases (payments) on capital lease and other long term obligations	(32)	20	(13)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,164)	(96)	100
CHANGE IN SUBSIDIARY FISCAL YEAR END	--	254	--
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,388)	558	3,050
BEGINNING CASH AND CASH EQUIVALENTS	6,999	6,441	3,391
ENDING CASH AND CASH EQUIVALENTS	$ 4,611	$ 6,999	$ 6,441
Supplementary disclosure of cash flow information:			
Cash paid for income taxes	$ 951	$ 1,123	$ 517
Cash paid for interest	58	131	121
Non-cash investing and financing activities:			
Purchases under capital lease obligations	--	36	25
Dividends declared	--	27	21

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BUSINESS COMBINATIONS

In June 1997, Giga-tronics Incorporated (Giga-tronics) completed a merger with Viking Semiconductor Equipment, Inc. (Viking) by issuing approximately 420,000 shares of the Company's common stock in exchange for all of the common stock of Viking. The merger has been accounted for using the pooling-of-interest method of accounting and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Viking. The results of operations previously reported by the separate entities and the combined amounts presented in the accompanying consolidated financial statements are summarized in the table below.

Prior to the combination, Viking's fiscal year ended May 31. In recording the pooling-of-interest combination, Viking's financial statements for the twelve months ended March 31, 1997 were combined with Giga-tronics' financial statements for the year ended March 29, 1997, and Viking's financial statements for the year ended May 31, 1996 were combined with Giga-tronics' financial statements for the year ended March 30, 1996. An adjustment has been made to retained earnings as of March 29, 1997 to eliminate the effect of including Viking's results of operations for the two month period ended May 31, 1996, in both the years ended March 29, 1997 and March 30, 1996. Vikings' unaudited results of operations for the two month period ended May 31, 1996 included sales of $323,000 and a net loss of $254,000.

Viking 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.

In December 1997, Giga-tronics completed a merger with Ultracision, Inc. (Ultracision) by issuing approximately 517,000 shares of the Company's common stock in exchange for all of the common stock of Ultracision. The merger has been accounted for using the pooling-of-interest method of accounting and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Ultracision. The results of operations previously reported by the separate entities and the combined amounts presented in the accompanying consolidated financial statements are summarized in the table below. Prior to the combination, Ultracision's fiscal year ended March 31.

Ultracision is a manufacturer of automation equipment for the test and inspection of silicon wafers. Ultracision additionally produces a line of probers for the testing and inspection of silicon devices.

Results of operations previously reported by the separate entities prior to the mergers and the combined amounts presented in the accompanying consolidated financial statements are summarized below:

<TABLE>
<CAPTION>

(In thousands)	Six months ended September 27, 1997	Three months ended June 28, 1997	Year ended March 29, 1997	Year ended March 30, 1996
<S>	<C>	<C>	<C>	<C>
Net sales				
Viking	$ ---	$ 1,313	$ 3,542	$ 4,494
Ultracision	2,533	---	5,603	5,499
Giga-tronics	16,122	6,597	28,886	30,811
Combined	$18,655	$ 7,910	$ 38,031	$40,804
Net earnings (loss)				
Viking	$ ---	$ 141	$ (522)	$ 8
Ultracision	(163)	---	387	445
Giga-tronics	999	348	1,644	1,740
Combined	$ 836	$ 489	$ 1,509	$ 2,193

</TABLE>

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 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 Saturday nearest to the end of the month of March. Fiscal years 1998 and 1997 each contained 52 weeks, and fiscal year 1996 contained 53 weeks.

REVENUE RECOGNITION Revenues are recognized when products are shipped. Upon shipment, the Company also provides for the estimated cost that may be incurred for product warranties. Interest income is recognized when earned.

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.

INVESTMENTS The Company's investments in debt securities are classified as available-for-sale securities and are reported at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity. The cost of securities sold is determined based on the specific identification method.

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 five to forty years for buildings. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the respective assets or the lease term. The Company evaluates property and equipment whenever events or a change in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the future net cash flows the assets are expected to generate. To date, the Company has made no adjustments to the carrying value of its property and equipment due to asset impairment.

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 28, 1998 and March 29, 1997, accumulated amortization on patents and licenses was $2,735,000 and $2,300,000 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 technical feasibility in the form of a working model has been established. To date, software development has been concurrent with the establishment of technology 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 During the year ended March 28, 1998, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 128, "Earnings per Share." SFAS No. 128 requires the presentation of basic and diluted earnings per share. Basic earnings 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. Prior periods have been restated to reflect the new standard.

FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK Financial instruments, which potentially subject the Company to credit risk, consist principally of cash, cash equivalents, investments and trade accounts receivable. The Company's cash equivalents and investments consist principally of variable and fixed rate bonds issued by state, local, and federal governmental agencies. The portfolio is diversified, consisting of different governmental agencies located in various geographic regions of the United States. 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, notes receivable, notes payable, accounts payable and other accrued expenses approximates fair market value because of the short maturity of these financial instruments.

RECENT ACCOUNTING PRONOUNCEMENTS On July 1, 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components (including revenues, expenses, gains, and losses) in a full set of general purpose financial statements. This statement is effective for fiscal years beginning after December 15, 1997, with earlier application permitted.

The FASB also recently issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." SFAS No. 131 changes current practice under SFAS No. 14 by establishing a new framework on which to base segment reporting and also requires interim reporting of segment information. SFAS No. 131 is effective for fiscal years beginning after December 31, 1997, with earlier application encouraged. The statement's interim reporting disclosures would not be required until the first quarter immediately subsequent to the fiscal year in which SFAS No. 131 is effective. The Company is currently evaluating the impact of these pronouncements on its financial statements.

3 CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash, cash equivalents, and short-term investments consisted of the following at March 28, 1998 and March 29, 1997:

<TABLE>
<CAPTION>

March 28, 1998 (In thousands)	Cash and Cash Equivalents		Short-term Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
Cash	$ 1,190	$ 1,190	$ ---	$ ---
Money market funds	1,421	1,421	214	214
Municipal obligations	2,000	2,000	5,538	5,510
Total debt securities	$ 4,611	$ 4,611	$5,752	$5,724

</TABLE>
<TABLE>
<CAPTION>

March 29, 1997 (In thousands)	Cash and Cash Equivalents		Short-term Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
Cash	$4,054	$4,054	$ ---	$ ---
Money market funds	845	845	304	304
U.S. Government securities	---	---	3,004	2,996
Municipal obligations	2,100	2,100	2,026	2,020
Other marketable securities	---	---	1,859	1,890
Total debt securities	$6,999	$6,999	$ 7,193	$7,210

</TABLE>

There were realized gains of $1,000 and $10,000 on sales of available-for-sale securities in fiscal 1998 and fiscal 1997, respectively. Unrealized gains (losses) on available-for-sale securities were ($28,000) and $17,000 as of March 28, 1998 and March 29, 1997, respectively, and are included net of income taxes as a separate component of shareholders' equity.

As of March 28, 1998, all of the Company's short-term investments mature within one year. These securities have interest rates that ranged from 2.3% to 6.1%. As of March 29, 1997, all of the Company's short-term investments mature within one year, except for approximately $1,020,000 of Municipal securities which have maturities of between one and two years. These securities have interest rates that ranged from 3.4% to 6.5%.

4 INVENTORIES

<TABLE>
<CAPTION>

Years ended (In thousands)	March 28, 1998	March 29, 1997

<S>	<C>	<C>
Raw materials	$ 3,943	$ 3,607
Work-in-progress	2,999	3,245
Finished goods	1,122	1,408
	$ 8,064	$ 8,260

</TABLE>

5 NOTES RECEIVABLE

Notes receivable at March 28, 1998 consists of $860,000 due from Microsource, Inc., a California corporation with interest payable at 10% per annum. Additionally, the Company receives warrants equal to 10% of the face value of the note per month, at an exercise price of $0.10 per share. The note is collateralized by the fixed assets of Microsource, Inc. with principal and interest due and payable on May 29, 1998. Subsequent to year end, the Company exercised the warrants and received principal and interest payments on the note as part of its acquisition of Microsource, Inc. (see note 14).

6 SELLING EXPENSES

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled $2,155,000, $2,014,000, and $2,390,000 in fiscal 1998, 1997 and 1996, respectively. Advertising costs totaled $431,000, $425,000, and $633,000 for fiscal 1998, 1997 and 1996, respectively.

7 SIGNIFICANT CUSTOMERS AND INDUSTRY SEGMENT INFORMATION

Sales to agencies of the U.S. Government and defense-related customers accounted for 12%, 28%, and 32% of the Company's sales in fiscal 1998, 1997 and 1996, respectively. Export sales accounted for 28%, 31%, and 25% of the Company's sales in fiscal 1998, 1997 and 1996, respectively. Export sales by geographical area are shown below:

<TABLE>
<CAPTION>

Years ended (In thousands)	March 28, 1998	March 29, 1997	March 30, 1996
<S>	<C>	<C>	<C>
Americas	$ 345	$ 422	$ 995
Europe	3,990	3,467	2,939
Asia	5,747	7,547	5,717
Rest of world	328	460	669
	$10,410	$11,896	$10,320

</TABLE>

The Company manufactures products used in test, measurement and handling. The Company's products address two market segments. The first market segment includes automatic testing systems used in commercial telecommunications, radar and electronic warfare. The second market segment includes test and handling equipment used in the semiconductor manufacturing process.

<TABLE>
<CAPTION>

(In thousands)	Test & Measurement	Semiconductor	Other	Total
<S>	<C>	<C>	<C>	<C>
Fiscal year 1998:				
Net sales	$25,511	$11,302	$ ---	$36,813
Operating income (loss)	2,252	(758)	(805)	617
Identifiable assets	25,346	7,326	---	32,672
Depreciation and amortization	1,273	134	---	1,407
Capital expenditures	698	81	---	779
Fiscal year 1997:				
Net sales	28,886	9,145	---	38,031
Operating income (loss)	2,330	(80)	(645)	1,531

Identifiable assets	27,021	6,597	---	33,618
Depreciation and amortization	1,486	113	---	1,599
Capital expenditures	636	530	---	1,166
Fiscal year 1996:				
Net sales	30,811	9,993	---	40,804
Operating income (loss)	2,086	692	(428)	2,202
Identifiable assets	26,584	6,864	---	33,448
Depreciation and amortization	1,659	103	---	1,762
Capital expenditures	$ 633	$ 152	---	$ 785

</TABLE>

8 EARNINGS PER SHARE

Shares used in per share computation for the years ended March 28, 1998, March 29, 1997 and March 30, 1996 are as follows:

<TABLE>
<CAPTION>

Years ended (In thousands except per share data)	March 28, 1998	March 29, 1997	March 30, 1996
<S>	<C>	<C>	<C>
Net earnings	$ 767	$1,509	$2,193
Weighted average:			
Common shares outstanding	4,319	4,300	4,232
Common share equivalents	58	76	65
Common shares assuming dilution	4,377	4,376	4,297
Net earnings per share of common stock	$ 0.18	$ 0.35	$ 0.52
Net earnings per share of common stock assuming dilution	$ 0.18	$ 0.34	$ 0.51
Stock options not included in computation	177	38	27

</TABLE>

The number of stock options not included in the computation of diluted EPS reflects stock options where the exercise prices were greater than the average market price of the common shares and are therefore antidilutive.

Dividends declared in fiscal years 1997 and 1996 were $27,000 and $20,000, respectively. These dividends were associated with Ultracision, Inc., prior to the merger. Dividends paid were $27,000, $21,000 and $14,000 in 1998, 1997 and 1996, respectively, to Ultracision shareholders.

9 INCOME TAXES

Following are the components of the provision for income taxes:

<TABLE>
<CAPTION>

Years ended (In thousands)	March 28, 1998	March 29, 1997	March 30, 1996
Current:			
<S>	<C>	<C>	<C>
Federal	$ 413	$ 761	$ 490
State	20	239	198
	433	1,000	688
Deferred:			
Federal	50	(325)	(230)
State	(154)	(136)	(28)
	(104)	(461)	(258)

Provision for income taxes	$ 329	$ 539	$ 430

</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>

<S> <C> <C>

Years ended (In thousands)	March 28, 1998	March 29, 1997
Current tax assets, net	$2,092	$2,036
Noncurrent tax liabilities, net	(57)	(121)
Net deferred taxes	$2,035	$1,915
Future state tax effect	$ (138)	$ (1)
Allowance for doubtful accounts	125	160
Fixed asset depreciation	(57)	(121)
Inventory reserves and additional costs capitalized	1,598	1,508
Deferred revenue	53	77
Accrued vacation	153	168
Accrued warranty	249	274
Other accrued liabilities	143	229
Unrealized loss (gain) on equity securities	9	(7)
Valuation allowances	(100)	(372)
	$ 2,035	$1,915

</TABLE>

Income tax expense 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>

<S> <C> <C> <C> <C> <C> <C>

Years ended (In thousands except percentages)	March 28, 1998		March 29, 1997		March 30, 1996	
Statutory federal income tax	$372	34.0%	$697	34.0%	$ 892	34.0%
Beginning of year change in deferred tax asset valuation allowance	(85)	(7.8)	(272)	(13.3)	(381)	(14.5)
State income tax, net of federal benefit	(87)	(8.0)	67	3.3	112	4.3
Nontax deductible expenses	210	19.2	64	3.1	27	1.0
Interest income exempt from federal tax	(83)	(7.5)	(23)	(1.1)	(52)	(2.0)
Tax credits	(24)	(2.2)	(95)	(4.6)	(147)	(5.6)
Other	26	2.3	101	4.9	(21)	(0.8)
Effective income tax	$329	30.0%	$539	26.3%	$430	16.4%

</TABLE>

The change in valuation allowance from March 29, 1997 to March 28, 1998 was $272,000. The change from March 30, 1996 to March 29, 1997 was $453,000. The change from March 25, 1995 to March 30, 1996 was $410,000.

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 periods in which those temporary differences became 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 are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of valuation allowances as of March 28, 1998.

10 STOCK OPTIONS AND EMPLOYEE BENEFIT PLANS

Stock Option Plan The Company has established a stock option plan which provides for the granting of up to 700,000 shares of common stock at

100% of fair market value at the date of grant, with each grant needing approval by the Board of Directors of the Company. Options granted vest in one or more installments as set forth in the 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. Holders of options may be granted stock appreciation rights (SARs), 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 28, 1998, no SARs have been granted under the option plan. As of March 28, 1998, the total number of shares of common stock available for issuance is 623,500. All outstanding options have a term of five years, except for 75,000 options (which have a term of 2-1/2 years). With the merger of Ultracision, the Company also assumed 56,370 options granted under the Ultracision option plans. These options vest 100% after two years and have a term of five years.

<TABLE>
<CAPTION>

Following is a summary of stock option activity:

<S> <C> <C> <C> <C>

	Per Share Weighted Average Fair Value of Options Granted	Options Exercisable	Shares	Weighted Average Exercise Price
Outstanding as of March 25, 1995	N/A	68,500	222,928	$4.591
Exercised			(76,702)	3.364
Forfeited			(37,250)	4.784
Granted	$ 2.802		63,956	4.027
Outstanding as of March 30, 1996		48,350	172,932	4.885
Exercised			(55,550)	4.945
Forfeited			(51,750)	4.874
Granted	3.426		253,238	7.628
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

</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 and net earnings per share would have been reduced to the pro forma amounts shown below:

<TABLE>
<CAPTION>

<S> <C> <C> <C>

Years ended (In thousands except per share data)	March 28, 1998	March 29, 1997	March 30, 1996
Net earnings			
As reported	$ 767	$1,509	$2,193
Pro forma	404	1,361	2,189
Net earnings per share - basic			
As reported	0.18	0.35	0.52
Pro forma	0.09	0.32	0.52
Net earnings per share - diluted			
As reported	0.18	0.34	0.51
Pro forma	$ 0.09	$ 0.31	$ 0.51

</TABLE>

Pro forma net income reflects only options granted in 1998, 1997 and 1996. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period of five years, and compensation cost for options granted prior to April 1, 1995 is not considered.

For purposes of computing pro forma net income, 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 28, 1998	March 29, 1997	March 30, 1996
<S>	<C>	<C>	<C>
Expected life of options	4 years	3 to 4 years	3 to 4 years
Expected life of purchase rights	6 mos	6 mos	N/A
Volatility	60%	56%	58%
Risk-free interest rate	5.50 to 6.25	5.11 to 6.60	5.11
Dividend yield	zero	zero	zero

</TABLE>

<TABLE>
<CAPTION>

Options Outstanding and Exercisable as of March 28, 1998, by Price Range

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
<S>	<C>	<C>	<C>	<C>	<C>
From $2.66 to $2.93	56,370	3.24	$2.750	15,032	$2.660
$4.00	12,900	1.95	4.000	8,550	4.000
From $6.88 to $9.35	321,400	3.22	8.192	83,100	8.629
From $2.66 to $9.35	390,670	3.18	$7.268	106,682	$7.417

</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 28, 1998, 120,839 shares remain available for issuance under the Purchase Plan. The weighted fair value of the purchase rights granted in 1998 was $7.235.

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 1998, 1997, and 1996 were approximately $151,000, $148,000 and $181,000, respectively.

11 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 12,000 square foot facility located in Fremont, California, under an operating lease agreement, which expires in January 1999. The Company leases a 20,000 square foot facility located in Santa Clara, California, under a seven-year lease that commenced in July 1995. These facilities, in addition to a 12,000 square foot facility in Fremont, which the Company owns, accommodate all of the Company's present operations. The future minimum lease payments are shown below:

<TABLE>
<CAPTION>

Fiscal years (In thousands)	
<S>	<C>
1999	$ 852
2000	837
2001	845
2002	849
2003	722

Thereafter	$ 2,560

</TABLE>

The aggregate rental expense was $959,000, $937,000, and $908,000 in fiscal 1998, 1997 and 1996, respectively.

12 LINE OF CREDIT

The Company maintained a bank line of credit for $200,000 plus $350,000 of overdraft protection that carried interest at the bank's prime rate plus two percent, which expired in October, 1997. This line of credit was secured by accounts receivable. As of March 28, 1998, the line of credit balance had been repaid. As of March 29, 1997, the balance outstanding under the line of credit was $189,000.

The Company also maintained a $1,000,000 line of credit secured by the Company's cash equivalents and marketable securities. This credit line was not utilized and expired in fiscal 1998.

13 LONG TERM DEBT

Long term debt as of March 28, 1998 and March 29, 1997, consisted of the following:

<TABLE>
<CAPTION>

Years ended (In thousands)	March 28, 1998	March 29, 1997
<S>	<C>	<C>
Note payable to bank; monthly principal installments of $4,167 with interest payable monthly at 3.5% above the bank's Prime rate; collateralized by inventory and equipment; repaid in 1998	$ ---	$ 154
Note payable to bank; monthly installments of principal and interest of $2,149; secured by building; repaid in 1998	---	197
Note payable to bank; monthly principal installments of $1,083 with interest payable monthly at 4.5% above the bank's Prime rate; collateralized by inventory and equipment; repaid in 1998	---	65
Note payable to bank; monthly installments of principal and interest of $1,304; secured by inventory and equipment; repaid in 1998	---	163
Note payable to bank; monthly installments of principal and interest of $4,132; secured by building; repaid in 1998	---	406
	---	985
Less current portion of long term debt	---	76
Total long term debt	$ ---	$ 909

</TABLE>

14 SUBSEQUENT EVENTS

On May 18, 1998, the Company acquired all of the outstanding shares of Microsource, Inc. of Santa Rosa, California for $1,500,000 plus contingent future payments based on earnings of Microsource for the next two years. The acquisition will be accounted for under the "purchase" method of accounting. Microsource will function as a wholly owned subsidiary of Giga-tronics Incorporated. Microsource develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters, and microwave synthesizers.

On May 21, 1998, the Company signed an agreement with a bank for an unsecured revolving line of credit loan for $7,000,000 that expires July 31, 1999 with interest payable at prime rate or at LIBOR plus 1 1/2 percent.

I N D E P E N D E N T A U D I T O R S' R E P O R T

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 28, 1998, and March 29, 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for years ended March 28, 1998, March 29, 1997, and March 30, 1996. 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 28, 1998, and March 29, 1997, and the results of their operations and their cash flows for the years ended March 28, 1998, March 29, 1997 and March 30, 1996, in conformity with generally accepted accounting principles.

/s/
KPMG Peat Marwick LLP

Mountain View, California
May 1, 1998
(except as to Note 14, which is as of May 21, 1998)

S E L E C T E D F I N A N C I A L D A T A

<TABLE>
<CAPTION>
SUMMARY OF OPERATIONS:

(In thousands except per share data)	March 28, 1998	March 29, 1997	March 30, 1996	March 25, 1995	March 26, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$36,813	$38,031	$40,804	$33,980	$30,524
Gross profit	15,789	14,627	15,916	11,988	12,169
Operating expenses	15,172	13,096	13,714	13,336	10,602
Interest income, net	457	533	221	157	208
Earnings (loss) before income taxes	1,096	2,048	2,623	(1,170)	1,928
Net earnings (loss)	767	1,509	2,193	(695)	1,635
Net earnings (loss) per share - basic	$ 0.18	$ 0.35	$ 0.52	$ (0.16)	$ 0.38
Net earnings (loss) per share - diluted	$ 0.18	$ 0.34	$ 0.51	$ (0.16)	$ 0.38

</TABLE>

<TABLE>
<CAPTION>
FINANCIAL POSITION:

(In thousands except ratio)	March 28, 1998	March 29, 1997	March 30, 1996	March 25, 1995	March 26, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Current ratio	4.80	4.32	3.15	2.75	3.75
Working capital	$23,176	$22,692	$19,638	$16,080	$17,172
Total assets	32,672	33,618	33,448	30,981	30,031
Shareholders' equity	$26,461	$25,654	$23,475	$21,131	$22,361
Shares of common stock - basic	4,319	4,300	4,232	4,249	4,293
Shares of common stock - diluted	4,377	4,376	4,297	4,249	4,315

</TABLE>

<TABLE>

<CAPTION>
PERCENTAGE DATA:

	March 28, 1998	March 29, 1997	March 30, 1996	March 25, 1995	March 26, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Percent of net sales					
Gross profit	42.9	38.5	39.0	35.3	39.9
Operating expenses	41.2	34.4	33.6	39.2	34.7
Interest income, net	1.2	1.4	0.5	0.5	0.7
Earnings (loss) before income taxes	3.0	5.4	6.4	(3.4)	6.3
Net earnings (loss)	2.1	4.0	6.4	(2.0)	5.4

</TABLE>

S E L E C T E D   F I N A N C I A L   D A T A

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QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	1998				
(In thousands except per share data)	First	Second	Third	Fourth	Year
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 9,081	$ 9,574	$ 9,514	$ 8,644	$36,813
Gross profit	4,177	4,342	3,916	3,354	15,789
Operating expenses	3,659	3,913	3,913	3,687	15,172
Interest income, net	124	98	97	138	457
Earnings (loss) before income taxes	664	530	107	(205)	1,096
Net earnings (loss)	465	371	72	(141)	767
Net earnings (loss) per share - basic	0.11	0.09	0.02	(0.03)	0.18
Net earnings (loss) per share - diluted	0.11	0.08	0.02	(0.03)	0.18
Equivalent shares of common stock - basic	4,316	4,318	4,320	4,322	4,319
Equivalent shares of common stock - diluted	4,359	4,378	4,413	4,322	4,377

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QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	1997				
(In thousands except per share data)	First	Second	Third	Fourth	Year
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Net sales	$ 9,849	$ 9,415	$10,685	$ 8,082	$38,031
Gross profit	3,922	3,687	4,039	2,979	14,627
Operating expenses	3,364	2,954	3,121	3,657	13,096
Interest income, net	104	151	147	131	533
Earnings (loss) before income taxes	683	881	1,044	(560)	2,048
Net earnings (loss)	500	638	773	(402)	1,509
Net earnings (loss) per share - basic	0.12	0.15	0.18	(0.09)	0.35
Net earnings (loss) per share - diluted	0.11	0.15	0.18	(0.09)	0.34
Equivalent shares of common stock - basic	4,274	4,313	4,306	4,310	4,300
Equivalent shares of common stock - diluted	4,356	4,396	4,386	4,310	4,376

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COMMON STOCK MARKET PRICES

The Company's 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 28, 1998 exceeded 1,000. The table below shows the high and low closing bid quotations for the common stock during the indicated fiscal periods.

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Second quarter	(6/29 - 9/27)	10	6-7/8	(6/30 - 9/28)	11-5/8	7-7/8
Third quarter	(9/28 - 12/27)	11-3/8	7-3/4	(9/29 - 12/28)	9	7-5/8
Fourth quarter	(12/28 - 3/28)	9-3/4	6-1/4	(12/29 - 3/29)	9-1/8	7-1/4

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