

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the period ended June 29, 1996, 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 (IRS Employer Identification No.)
incorporation or organization)

4650 Norris Canyon Road, San Ramon, CA 94583
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (510) 328-4650

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Sections 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
---- ----

Common stock outstanding as of June 29, 1996: 2,642,970

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(b) Reports on Form 8-K

Not Applicable

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BALANCE SHEETS

(In thousands, except share data)

ASSETS

<TABLE>
<CAPTION>

	June 29, 1996 ----- (Unaudited)	March 30, 1996 -----
	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 7,014	\$ 5,772
Investments	5,082	5,013
Trade accounts receivable	2,270	2,715
Inventories, net	4,567	4,660
Prepaid expenses	230	188
Deferred income taxes	1,163	1,185
	-----	-----
Total current assets	20,326	19,533
Property and Equipment:		
Machinery and equipment	6,504	6,518
Office furniture and fixtures	322	322
Leasehold improvements	106	103
	-----	-----
Gross cost property and equipment	6,932	6,943
Less accumulated depreciation and amortization		(5,333) (5,185)
	-----	-----
Net property and equipment	1,599	1,758
Patents and licenses	1,450	1,590
Other assets	134	146
	-----	-----
Total assets	\$ 23,509	\$ 23,027
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 1,455	\$ 1,540
Accrued commissions	113	156
Accrued expenses	596	660
Accrued payroll and benefits	543	474
Accrued warranty	478	480
Accrued earnout payable	393	393
Income taxes payable	75	--
	-----	-----
Total current liabilities	3,653	3,703
Deferred income taxes	223	223
	-----	-----
Total liabilities	\$ 3,876	\$ 3,926
	=====	=====

Shareholders' Equity:
Convertible preferred stock of no par value;

Authorized 1,000,000 shares; no shares outstanding at June 29, 1996 and March 30, 1996	--	--
Common stock of no par value; Authorized 40,000,000 shares; 2,642,970 shares at June 29, 1996, and 2,602,420 shares at March 30, 1996 issued and outstanding	8,131	7,925
Unrealized loss on investments	(6)	(47)
Retained earnings	11,508	11,223
Total shareholders' equity	19,633	19,101
Total liabilities and shareholders' equity	\$ 23,509	\$ 23,027

</TABLE>

See accompanying notes to financial statements.

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GIGA-TRONICS INCORPORATED
STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

<TABLE>
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	Three Months Ended	
	June 29, 1996	June 24, 1995
Net sales	\$ 5,855	\$ 6,261
Cost of sales	\$ 3,501	3,976
Gross profit	2,354	2,285
Product development	638	660
Selling, general and administrative	1,334	1,452
Operating expenses	1,972	2,112
Net operating income	382	173
Other income	23	72
Amortization of intangibles	(140)	(140)
Interest income, net	115	52
Earnings before income taxes	380	157
Provision for income taxes	95	39
Net earnings	\$ 285	\$ 118
Earnings per share of common stock	\$ 0.11	\$ 0.05
Weighted average common and common equivalent shares outstanding	2,687	2,620

</TABLE>

See accompanying notes to financial statements.

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GIGA-TRONICS INCORPORATED
STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

<TABLE>
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	Three Months Ended	
	June 29, 1996	June 24, 1995
	<C>	<C>
Cash flows provided from operations:		
Net earnings as reported	\$ 285	\$ 118
Adjustments to reconcile net earnings to net cash provided from operations		
Depreciation and amortization	357	374
Gain on sale of fixed assets	(16)	--
Deferred income taxes, net	22	9
Changes in operating assets and liabilities	442	894
	-----	-----
	1,090	1,395
Cash flows used by investing activities:		
Investment purchases, net	(28)	(9)
Additions to property and equipment	(26)	(65)
	-----	-----
Net cash used in investing activities	(54)	(74)
Cash flows from financing activities		
Issuance of common stock	206	--
	-----	-----
Net cash provided by financing activities	206	--
Increase in cash and cash equivalents	1,242	1,321
Beginning cash and cash equivalents	5,772	2,137
	-----	-----
Ending cash and cash equivalents	<u>\$ 7,014</u>	<u>\$ 3,458</u>

</TABLE>

Supplementary disclosure of cash flow information:

- (1) No cash was paid for interest in the periods indicated.
- (2) Cash paid for income taxes in the three month period ending June 29, 1996 was \$20,000.
- (3) Non-cash investing activities:

The Company incurred an unrealized gain of \$41,000 on investments held available for sale.

See accompanying notes to financial statements.

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GIGA-TRONICS INCORPORATED
NOTES TO FINANCIAL STATEMENTS

(1) Basis of Presentation

The financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. For further information, refer to the financial

statements and footnotes thereto, included in the Annual Report on Form 10-K, filed with the Securities and Exchange Commission for the year ended March 30, 1996.

(2) Inventories

Inventories consist of the following (in thousands):

<TABLE>

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	June 29, 1996	March 30, 1996
	-----	-----
<S>	<C>	<C>
Raw materials	\$1,835	\$1,705
Work-in-process	1,891	2,022
Finished goods	841	933
	-----	-----
	\$4,567	\$4,660
	=====	=====

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF OPERATIONS AND FINANCIAL CONDITION

THREE MONTHS ENDED JUNE 29, 1996 AND JUNE 24, 1995

Net sales for the three month period ended June 29, 1996 decreased 6.5% (\$406,000) compared to the same period last year. The change resulted mostly from a decrease in shipments of RF signal generator products and power measurement devices, offset somewhat by an increase in microwave signal generator products.

Gross profit for the three month period increased by 3.0% (\$69,000) despite the lower sales volume due to greater manufacturing efficiencies.

Operating expenses for the three month period decreased 6.6% (\$140,000) compared to the same period last year. The decrease was primarily attributable to lower sales and marketing expenses.

Other income for the same period last year was comprised primarily of an insurance claim recovery.

Higher interest income was a result of a \$4,979,000 increase in cash, cash equivalents and investments compared to the end of the same period last year.

Earnings before income taxes for the three month period increased 142% (\$223,000) compared to the same period last year. The change was primarily due to improved gross margins, lower sales and marketing expenses, and higher interest income.

For the three month period ended June 29, 1996, the level of new bookings and the backlog of unfilled orders decreased significantly from the levels at year-end. The decrease in backlog results mostly from a decline in microwave signal generator product line defense-related orders. Due to the softness in order intake, fiscal 1997 revenues (excluding acquisitions, including the proposed acquisition of ASCOR, Inc.) will likely be less than fiscal 1996. However, it is projected at this time that continued improvement in manufacturing efficiencies and other cost reduction activities will largely offset any unfavorable impact caused by the decline in revenues.

FINANCIAL CONDITION

The Company maintains a strong financial position, with working capital of \$16,673,000 and a ratio of current assets to current liabilities of 5.6 at June 29, 1996. The Company continues to fund all of its working capital needs from cash flow provided from operations. Cash provided from operations for the three month period ended June 29, 1996, was \$1,090,000. Management believes that cash

reserves and investments remain adequate to meet anticipated operating needs.

During the three month period, the Company spent \$26,000 on new manufacturing and test equipment and other capital items. The Company will continue to invest in capital items that support growth and new product development, raise productivity and improve quality. Historically, the Company has satisfied its cash needs internally for both operating and capital expenses, and management expects to continue to do so. The issuance of common stock was related to exercise of stock options.

Note: These statements contain forward looking information that involves a number of risks and limitations discussed in more detail in other documents submitted to the SEC.

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EXHIBIT II

PART II, Item 6

COMPUTATION OF NET EARNINGS PER SHARE AND
COMMON SHARE EQUIVALENTS

(Unaudited)

(In thousands, except per share data)

Earnings per share were computed using the weighted average number of shares outstanding plus, when dilutive, incremental shares issuable upon exercise of outstanding options under the treasury stock method.

<TABLE>
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	Three Months Ended	
	June 29, 1996	June 24, 1995
	<C>	<C>
Weighted average number of common shares outstanding:		
Common stock outstanding	2,617	2,570
Common stock equivalents	70	50
	-----	-----
	2,687	2,620
	=====	=====
Net earnings	\$ 285	\$ 118
	=====	=====
Net earnings per share of common stock	\$ 0.11	\$ 0.05
	=====	=====

</TABLE>

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GIGA-TRONICS INCORPORATED
(Registrant)

Date: 7/15/96 /s/

George H. Bruns, Jr.
Chairman and Chief Executive Officer

(Principal Executive Officer)

Date: 7/15/96

/s/

Gregory L. Overholtzer
Vice President, Finance and Chief Financial Officer
(Principal Accounting Officer)

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