

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 September 28,  
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  
incorporation or organization)

-----  
(IRS Employer Identification No.)

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  No

--- ---

Common stock outstanding as of September 28, 1996: 3,369,199  
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GIGA-TRONICS INCORPORATED

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<CAPTION>

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<S>

<C>

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(b) Reports on Form 8-K

A report on Form 8-K was filed on July 31,  
1996. It consisted of a press release  
announcing the completion of the merger with  
ASCOR, Inc. Shareholders of Giga-tronics  
approved the merger at the July 23, 1996  
Special Meeting.

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BALANCE SHEETS  
(Unaudited)  
(In thousands, except share data)  
ASSETS  
-----

<TABLE>  
<CAPTION>

	September 28, 1996	March 30, 1996
	-----	-----
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 3,248	\$ 5,923
Investments	9,560	5,313
Trade accounts receivable, net	2,993	3,658
Inventories, net	5,890	6,293
Prepaid expenses	286	228
Deferred income taxes	1,273	1,305
	-----	-----
Total current assets	\$ 23,250	\$ 22,720
Property and Equipment:		
Machinery and equipment	\$ 7,300	\$ 7,277
Office furniture and fixtures	530	518
Leasehold improvements	121	106
	-----	-----
Gross cost property and equipment	7,951	7,901
Less accumulated depreciation and amortization	(6,072)	(5,779)
Net property and equipment	1,879	2,122
Patents and licenses	1,310	1,590
Other assets	101	152
	-----	-----

Total assets	\$ 26,540	\$ 26,584
--------------	-----------	-----------

</TABLE>

LIABILITIES AND SHAREHOLDERS' EQUITY

<TABLE>

<S>	<C>	<C>
Current Liabilities:		
Accounts payable	\$ 1,713	\$ 2,070
Accrued commissions	264	277
Other current liabilities	717	751
Accrued payroll and benefits	655	666
Accrued warranty	566	580
Accrued earnout payable	--	393
Income taxes payable	196	47
Notes payable	--	730
	-----	-----
Total current liabilities	4,111	5,514
Non-current liabilities	248	253
	-----	-----
Total liabilities	\$ 4,359	\$ 5,767
	=====	=====
Shareholders' Equity:		
Preferred stock of no par value;	--	--
Authorized 1,000,000 shares; no shares outstanding		
at September 28, 1996, and March 30, 1996		
Common stock of no par value;	--	--
Authorized 40,000,000 shares; 3,369,199 shares at		
September 28, 1996 and 3,323,649 shares at March 30, 1996		
issued and outstanding	10,872	10,543
Unrealized gain (loss) on investments	11	(47)
Retained earnings	11,298	10,321
	-----	-----
Total shareholders' equity	\$ 22,181	\$ 20,817
	-----	-----
Total liabilities and shareholders' equity	\$ 26,540	\$ 26,584
	=====	=====

</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>

<CAPTION>

	Three Months Ended		Six Months Ended	
	Sept. 28, 1996	Sept. 30, 1995	Sept. 28, 1996	Sept. 30, 1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 7,138	\$ 7,692	\$ 14,931	\$ 15,341
Cost of sales	4,473	4,776	9,201	9,578
	-----	-----	-----	-----
Gross profit	2,665	2,916	5,730	5,763
Product development	666	664	1,383	1,337
Selling, general and administrative	1,386	1,749	3,054	3,431

Operating expenses	2,052	2,413	4,437	4,768
Net operating income	613	503	1,293	995
Other income/(expense)	(3)	86	18	170
Amortization of intangibles	(139)	(140)	(279)	(280)
Interest income, net	159	66	270	106
Earnings before income taxes	630	515	1,302	991
Provision for income taxes	158	62	325	85
Net earnings	\$ 472	\$ 453	\$ 977	\$ 906
Earnings per share of common stock	\$ 0.14	\$ 0.13	\$ 0.29	\$ 0.27
Weighted average common and common equivalent shares outstanding	3,420	3,369	3,418	3,369

</TABLE>

See accompanying notes to financial statements.

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

<TABLE>  
<CAPTION>

	Six Months Ended	
	September 28, 1996	September 30, 1995
<S>	<C>	<C>
Cash flows provided from operations:		
Net earnings as reported	\$ 977	\$ 906
Adjustments to reconcile net earnings to net cash provided from operations		
Depreciation and amortization	761	784
Gain on sale of fixed assets	(9)	--
Deferred income taxes, net	32	(43)
Changes in operating assets and liabilities	412	620
Net cash provided by operations	2,173	2,267
Cash flows used by investing activities:		
Investment purchases, net	(4,189)	(410)
Additions to property and equipment, net	(198)	(344)
Net cash used in investing activities	(4,387)	(754)
Cash flows from financing activities:		
Issuance/(re-purchase) of common stock	329	(16)
Payments on notes payable	(730)	--
Issuance/(payments) of other obligations	(60)	76
Net cash provided by financing activities	(461)	60
Increase in cash and cash equivalents	(2,675)	1,573

Beginning cash and cash equivalents	5,923	3,202	-----	-----
Ending cash and cash equivalents		\$ 3,248		\$ 4,775

</TABLE>

Supplementary disclosure of cash flow information:

- (1) Cash paid for interest in the six month period ending September 28, 1996 was \$42,000.
- (2) Cash paid for income taxes in the six month period ending September 28, 1996 was \$81,000.
- (3) Non-cash investing activities:

The Company incurred an unrealized gain of \$11,000 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.

Effective July 24, 1996, Giga-tronics merged with ASCOR in a transaction accounted for as a "pooling of interests." Accordingly, results for prior periods have been re-stated to reflect the acquisition and include the results of ASCOR operations.

(2) Inventories

Inventories consist of the following (in thousands):

<TABLE>  
<CAPTION>

	September 28, 1996	March 30, 1996
	-----	-----
	<C>	<C>
Raw materials	\$ 2,509	\$ 2,388
Work-in-process	2,476	2,972
Finished goods	905	933
	-----	-----
	\$ 5,890	\$ 6,293
	=====	=====

</TABLE>

### THREE MONTHS AND SIX MONTHS ENDED SEPTEMBER 28, 1996 AND SEPTEMBER 30, 1995

Net sales for the three month and six month periods ended September 28, 1996 decreased 7% (\$554,000) and 3% (\$410,000), respectively, compared to the same periods last year. The change for the six months was due to a decline in shipment of RF signal generators and power measurement devices. The three month change was due to a decline in all three product lines shipping from San Ramon (i.e., excluding the recent ASCOR acquisition).

Gross profit for the current three month and six month periods decreased 9% (\$251,000) and 1% (\$33,000), respectively, compared to the same periods last year. The decrease for the six month and three month periods was primarily due to sales volume.

Operating expenses for the three month and six month periods decreased 15% (\$361,000) and 7% (\$331,000), respectively, compared to prior year periods. The decreases are due to lower advertising, sales commissions and administrative expenses.

Other income is lower relative to the comparable quarter and six month period for the prior year because of non-recurring prior year fixed asset sales and an insurance recovery.

Operating income for the current three month and six month periods were \$110,000 and \$298,000 higher, respectively, than the comparable periods last year. The improved results were due to lower operating expenses, and reduced manufacturing variances (for the six month period), offset somewhat by lower sales volume and a reduction in other income.

Earnings before income taxes for the current three month and six month periods were \$105,000 and \$311,000 higher, respectively, than the comparable periods last year. The change was favorably impacted by the lower operating expenses, reduced manufacturing variances (for the six month period), and higher interest income (due to higher balances of cash, cash equivalents and investments relative to prior year). These effects were partially offset by lower sales volume and reduced other income.

Orders for the current quarter were slightly lower than the comparable period last year. Orders for the six month period were slightly higher than the prior year six month period. The backlog of unfilled orders as of September 28 is down significantly from the comparable period last year. The decrease in backlog results mostly from the decline in microwave signal generator orders. Due to the softness in order intake, fiscal 1997 revenues will likely be less than fiscal 1996. However, it is projected at

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this time that cost reduction activities may offset the unfavorable impact caused by the decline in revenues.

#### FINANCIAL CONDITION

The Company maintains a strong financial position, with working capital of \$19,139,000 and a ratio of current assets to current liabilities of 5.7 at September 28, 1996. The Company continues to fund all of its working capital needs from cash flow provided from operations. Cash provided from operations for the six month period ended September 28, 1996, was \$2,173,000. Management believes that cash reserves and investments remain adequate to meet anticipated operating needs.

During the six month period, the Company spent \$198,000 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. The outflow for notes payable was the retirement of debt by ASCOR in September.

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

PART II, Item 4

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(A) Special Meeting of the Stockholders was held on July 23, 1996.

(1) The vote for the acquisition of ASCOR, Incorporated was as follows:

<TABLE>  
<CAPTION>

	No. of Votes on Proposal	% of Votes Cast
	-----	-----
<S>	<C>	<C>
For	1,509,344	91.2%
Against	5,500	.3%
Abstain	141,130	8.5%
	-----	
Quorum	1,655,974	100.0%

</TABLE>

Non-voted Shares = 986,996

Outstanding shares on Record Date = 2,642,970

(B) Annual Meeting of Stockholders was held on August 12, 1996.

(1) The vote for the nominated Directors was as follows:

<TABLE>  
<CAPTION>

Nominee	In Favor	Withheld
-----	-----	-----
<S>	<C>	<C>
George H. Bruns, Jr.	2,261,674	15,934
James A. Cole	2,261,674	15,934
Edward D. Sherman	2,261,574	16,034
Robert C. Wilson	2,261,674	15,934

</TABLE>

(2) Other matters voted upon at the meeting were as follows:

Ratification of the selection of Peat Marwick LLP as independent public accountants for fiscal year 1997 was approved as follows:

<TABLE>  
<CAPTION>

	No. of Votes on Proposal	% of Votes Cast
	-----	-----
<S>	<C>	<C>
For	2,269,443	99.64%
Against	6,520	0.29%
Abstain	1,645	0.07%
	-----	
Quorum	2,277,608	100.0%

</TABLE>

Non-voted Shares = 365,362

Outstanding shares on Record Date = 2,642,970

## 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>  
<CAPTION>

	Three Months Ended		Six Months Ended		
	Sept. 28, 1996	Sept. 30, 1995	Sept. 28, 1996	Sept. 30, 1995	
<S>	<C>	<C>	<C>	<C>	
Weighted average:					
Common shares outstanding		3,367	3,291	3,358	3,291
Common share equivalents		53	78	60	78
	3,420	3,369	3,418	3,369	
Net earnings	\$ 472	\$ 453	\$ 977	\$ 906	
Net earnings per share of common stock	\$ 0.14	\$ 0.13	\$ 0.29	\$ 0.27	

</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: 10/18/96 /s/

George H. Bruns, Jr.  
Chairman and Chief Executive Officer  
(Principal Executive Officer)



Date: 10/18/96

/s/

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

<TABLE> <S> <C>

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<MULTIPLIER> 1,000

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