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

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the period ended December 27, 1997, or
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( ) 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 X No
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Common stock outstanding as of December 27, 1997: 4,320,338

GIGA-TRONICS INCORPORATED

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GIGA-TRONICS INCORPORATED

CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

<TABLE>
<CAPTION>

ASSETS

	Dec. 27, 1997	March 29, 1997
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	$ 2,833	$ 6,999
Investments	7,980	7,210
Notes receivable	750	---
Trade accounts receivable, net of allowance of $291 and $324, respectively	6,700	4,556
Inventories, net	8,198	8,260
Prepaid expenses	536	422
Deferred income taxes	2,441	2,035
Total current assets	29,438	29,482
Property and Equipment:		
Machinery and equipment	8,759	8,182

Office furniture and fixtures	689	683
Land	282	279
Building and leasehold improvements	768	745
Gross cost property and equipment	10,498	9,889
Less accumulated depreciation and amortization	(7,668)	(6,953)
Net property and equipment	2,830	2,936
Patents and licenses	698	1,030
Other assets	74	116
Total assets	$ 33,040	$ 33,564

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Line of credit	$ ---	$ 189
Notes payable	---	76
Accounts payable	2,405	2,417
Accrued payroll and benefits	1,113	791
Customer advances	583	1,081
Other current liabilities	2,192	2,237
Total current liabilities	6,293	6,791
Long term debt	---	909
Obligation under capital lease and other long term	66	90
Deferred income taxes	120	121
Total liabilities	6,479	7,911
Shareholders' Equity:		
Preferred stock of no par value; Authorized 1,000,000 shares; no shares outstanding at December 27, 1997 and March 29, 1997	---	---
Common stock of no par value; Authorized 40,000,000 shares; 4,320,338 shares at December 27, 1997 and 4,316,188 shares at March 29, 1997 issued and outstanding	11,490	11,463
Unrealized gain (loss) on investments	(16)	11
Retained earnings	15,087	14,179
Total shareholders' equity	26,561	25,653
Total liabilities and shareholders' equity	$ 33,040	$ 33,564

</TABLE>

See accompanying notes to unaudited consolidated financial statements

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

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended	
	Dec. 27, 1997	Dec. 28, 1996	Dec. 27, 1997	Dec. 28, 1996
<S>	<C>	<C>	<C>	<C>
Net sales	$ 9,514	$ 10,685	$ 28,169	$ 29,949
Cost of sales	5,598	6,646	15,734	18,301

Gross profit	3,916	4,039	12,435	11,648
Product development	1,792	1,004	4,396	3,154
Selling, general and administrative	2,019	1,976	6,757	5,865
Amortization of intangibles	102	141	332	420
Operating expenses	3,913	3,121	11,485	9,439
Net operating income	3	918	950	2,209
Other income (expense)	7	(21)	32	(3)
Interest income, net	97	147	319	402
Earnings before income taxes	107	1,044	1,301	2,608
Provision for income taxes	35	271	393	697
Net earnings	$ 72	$ 773	$ 908	$ 1,911
Earnings per common share - basic	$ 0.02	$ 0.18	$ 0.21	$ 0.44
Earnings per common share - diluted	$ 0.02	$ 0.18	$ 0.21	$ 0.44
Weighted average common shares outstanding	4,320	4,306	4,318	4,298
Weighted average diluted common shares outstanding	4,413	4,386	4,377	4,376

</TABLE>

See accompanying notes to unaudited consolidated financial statements.

GIGA-TRONICS INCORPORATED PAGE 5

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

<TABLE>
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<S>	Nine Months Ended Dec. 27, 1997 <C>	Nine Months Ended Dec. 28, 1996 <C>
Cash flows provided from operations:		
Net earnings as reported	$ 908	$ 1,911
Adjustments to reconcile net earnings to net cash from operations:		
Depreciation and amortization	1,062	1,173
Gain on sale of fixed assets	(3)	23
Adjustment to conform year end of subsidiary (note 3)	---	254
Deferred income taxes, net	(407)	(58)
Changes in operating assets and liabilities	(3,173)	(95)
Net cash provided by (used in) operations	(1,613)	3,208
Cash flows from investing activities:		
Investment maturities (purchases), net	(797)	(4,883)
Additions to property and equipment, net	(621)	(924)
Other assets	42	69
Net cash used in investing activities	(1,376)	(5,738)
Cash flows from financing activities:		
Issuance of common stock	27	357
Payment on line of credit	(189)	(255)
Payment on notes payable and long term debt	(985)	(436)

Payment on capital lease and other long term	(30)	(41)
Net cash used in financing activities	(1,177)	(375)
Increase in cash and cash equivalents	(4,166)	(2,905)
Beginning cash and cash equivalents	6,999	6,441
Ending cash and cash equivalents	$ 2,833	$ 3,536

</TABLE>

Supplementary disclosure of cash flow information:

(1) Cash paid for interest in the nine month period ended December 27, 1997 was $46,000.

(2) Cash paid for income taxes in the nine month period ended December 27, 1997 was $741,000.

(3) Non-cash investing and financing activities: The Company incurred an unrealized loss of $27,000 (after tax effect) on investments held available for sale during the nine month period ending December 27, 1997. The Company incurred an unrealized gain of $77,000 (after tax effect) during the nine month period ended December 28, 1996.

The Company made no purchases of equipment under capital lease obligations in the nine months ended December 27, 1997. The Company purchased $62,000 of equipment under capital lease obligation in the nine months ended December 28, 1996.

See accompanying notes to unaudited consolidated financial statements.

GIGA-TRONICS INCORPORATED

NOTES TO UNAUDITED CONSOLIDATED 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 29, 1997.

Basic earnings (loss) per share is based on the weighted average number of shares of common stock outstanding during the period.

Diluted earnings (loss) per share is based on the weighted average number of shares of common stock and dilutive common stock equivalent shares outstanding during the year.

(2) Change in Accounting Principle

In February 1997, the Financial Accounting Standards Board issued

Statement of Financial Accounting Standards No. 128, "Earnings per share" (SFAS No. 128). SFAS No. 128 establishes a different method of computing net income per share than required under the provisions of Accounting Principles Board Opinion No. 15. Under SFAS No. 128, the Company is required to present both basic net income per share and diluted net income per share. The Company adopted SFAS No. 128 in its fiscal quarter ended December 27, 1997, and all historical net income per share data presented is restated to conform to the provisions of SFAS No. 128.

(3) Business Combinations

(a) 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 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 same period, 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 for fiscal 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 31, 1997 and 1996.

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.

(b) 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 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 and the combined amounts presented in the accompanying consolidated financial statements are summarized below:
<TABLE>
<CAPTION>
Nine months ended Nine months ended

(In thousands)	Dec. 27, 1997	Dec. 28, 1996
Net Sales		
Viking	$ 1,313	$ 2,714
Ultracision	3,422	4,607
Giga-tronics	23,434	22,628
Combined	$ 28,169	$ 29,949
Net Income		
Viking	$ 141	$ (176)
Ultracision	(296)	641
Giga-tronics	1,063	1,446
Combined	$ 908	$ 1,911

</TABLE>

(c) On December 24, 1997, the Company announced that it had reached an agreement in principle to acquire Microsource, Inc. of Santa Rosa. The Company will exchange shares and options totaling 750,000 shares for all of the outstanding shares and options of Microsource. The acquisition will be accounted for under the "purchase" method of accounting and is subject to approval by the shareholders of both companies. Microsource develops and manufactures a broad line of YIG tuned oscillators, filters, and microwave synthesizers.

(4) Inventories

Inventories consist of the following (in thousands):
<TABLE>
<CAPTION>

	Dec. 27, 1997	March 29, 1997
Raw materials	$ 3,436	$ 3,506
Work-in-process	3,516	3,346
Finished goods	1,246	1,408
	$ 8,198	$ 8,260

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF OPERATIONS AND FINANCIAL CONDITION

The forward-looking statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those discussed below. Forward-looking information provided by Giga-tronics pursuant to the safe harbor established by recent securities legislation should be evaluated in the context of these factors.

GENERAL

The Company designs, manufactures, and markets microwave and radio frequency signal generation and power measurement instruments, and switching devices. These products are used in the development, test, and maintenance of wireless communications products and systems, electronic defense systems, and automatic testing systems (ATE). The Company also manufactures a line of inspection and handling devices used in the production of semiconductor devices.

The Company intends to broaden its products and expand its markets, both by internal development of new products and through the acquisition of other business entities. In that regard, the Company completed the acquisition of Viking Semiconductor Equipment, Inc. and Ultracision, Inc. during this fiscal year, thus broadening its product offerings into the semiconductor industry marketplace. In addition, the Company reached an agreement in principle to acquire Microsource, Inc., a private company located in Santa Rosa, California. Microsource is a manufacturer of a broad line of YIG tuned oscillators, filters, and microwave synthesizers.

Several new products were introduced in the nine months ended December 27, 1997. Viking Semiconductor Equipment, Inc. introduced the 2300 Series Ball Grid Array furnace loader and unloader, the 1046 Series Tape and Reel, and the 1063 Die Bonder, all of which are used in the semiconductor manufacturing process. Ultracision changed its basic software for all of its products to the Windows NT platform and Secs2/Gem protocol, thereby updating to the semiconductor industry standard for equipment interfaces. Ultracision also introduced the AutoBoxer, used in handling in the wafer manufacturing process.

THREE MONTHS AND NINE MONTHS ENDED DECEMBER 27, 1997 AND DECEMBER 28, 1996

Net sales for the three month and nine month periods ended December 27, 1997 decreased 11% ($1,171,000) and decreased 6% ($1,780,000), respectively, compared with the same periods last year. The sales decrease in the quarter was principally due to declining signal generator (SG), radio frequency (RF), and switching module sales. Sales for semiconductor products remained essentially the same as the prior year for the quarter. The decline for the nine month period resulted from a decrease of approximately $3.6 million in the SG product line, $.9 million in the RF product line, and $.9 million in the switching modules product line. These were partially offset by an increase of approximately $2.6 million in power meter (PM) and $1.0 million in the semiconductor equipment related products. The decline in SG and RF sales is attributable to maturing of the product line, delays in new products releases, and constraints on military budgets.

The change in the switching modules reflects the slowdown in orders over the recent months due to the timing of large procurements. The increase in PM products is due to new product releases and growth in the commercial wireless telecommunications market. The growth in the semiconductor products reflects increased manufacturing throughput and the introduction of new products.

Gross profit for the three month period decreased by 3% ($123,000) due to higher costs associated with the roll out of new products in the semiconductor lines. Gross profit increased 7% ($787,000) for the nine month period. Gross margin as a percent of sales for the nine months increased to 44% compared to 39% for the prior year. The increase in profit is attributable to lower manufacturing labor costs, lower depreciation, and lower controllable manufacturing expenses. The prior year also included a heavily discounted sale of signal generators.

Operating expenses for the three month and nine month periods increased 25% ($792,000) and 22% ($2,046,000), respectively, compared with the prior year. Research and development expenses for the three month and nine month periods increased 78% ($788,000) and 39% ($1,242,000), respectively, compared with the prior year, in an effort to develop new products in each of its product lines. Sales and administrative expenses include acquisition related costs for the three and nine month periods of $227,000 and $678,000, respectively. In addition, sales and administrative expenses increased for the nine month period due to higher advertising expenses, sales and administrative salaries, and commission expenses related to the semiconductor and switching module product lines.

Interest income for the three month and nine month periods declined over the prior year due to lower cash available for investment. The cash decline resulted from extinguishing the debt of Viking Semiconductor and increased funding required for the new product development, acquisition costs, and higher notes and accounts receivable balances.

Earnings before income taxes for the three month and nine month periods decreased 90% ($937,000) and 50% ($1,307,000), respectively, compared to the same period last year. The change was primarily due to the substantial increase in expenditures for new product development, particularly in the recently acquired semiconductor lines, and the $678,000 of acquisition costs.

Orders for the current quarter were slightly lower (5%) than the comparable period last year. Orders for the nine month period were 5% ($1,483,000) lower than the prior year. Orders were lower for switching modules caused by a slowdown in the overall switching market and the timing of large procurements. Lower orders for semiconductor products were caused by normal fluctuations between periods for large orders and most recently the effect of the Asian economy on the semiconductor industry. Backlog at December 1997 was $7,817,000 compared to $10,213,000 at the March year end. The decline in backlog is a result of lower orders in the switching modules and semiconductor product lines.

The Company expects a continuing flatness in sales in the fourth quarter due to the maturing of some product lines. New product releases in these lines are not anticipated until early in fiscal year 1999. The Asian economy may also have some adverse effects on new orders and sales.

FINANCIAL CONDITION

The company maintains a strong financial position, with working capital of $23,145,000 and a ratio of current assets to current liabilities of 4.7 to 1.0 at December 27, 1997. The Company continues to fund all of its working capital needs from cash provided by operations. Cash used from operations for the nine months ended December 27, 1997 was $1,613,000 due to the increase in research and development spending, the acquisitions costs, the increase in accounts receivable, and the reduction in customer advances.

During the nine month period, the Company spent $621,000 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.

Management believes that cash reserves and investments remain adequate to meet anticipated operating needs. It is also the Company's intention to increase research and development expenditures for the purpose of broadening its product base. From time to time, the Company considers a variety of acquisition opportunities to also broaden its product lines and expand its market. Such acquisition activity could also increase the Company's operating expenses and require the additional use of capital resources.

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

As part of its business strategy, the Company intends to broaden its product lines and expand its markets, in part through the acquisition of other business entities. The Company has recently acquired Viking Semiconductor Equipment, Inc. and Ultracision, Inc. The Company also entered into an agreement in principle to acquire Microsource, Inc. The Company is subject to various risks in connection with these and any future acquisitions. Such risks include, among other things, the difficulty of assimilating the operations and personnel of the acquired companies, the potential disruption of the Company's business, the inability of the Company's management to maximize the financial and strategic position of the Company by the successful incorporation of acquired technology and rights into the Company's product offerings, the maintenance of uniform standards, controls, procedures and policies, and the potential loss of key employees of acquired companies. No assurance can be given that any acquisition by the Company will or will not occur, that if an acquisition does occur, that it will not materially and adversely affect the Company or that any such acquisition will be successful in enhancing the Company's business. The Company currently contemplates that future acquisitions may involve the issuance of additional shares of the Company's Common Stock. Any such issuances may result in dilution to all shareholders of the Company, and sales of such shares in significant volume by the shareholders of acquired companies may depress the price of the Company's Common Stock.

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: 02/09/98 /s/
George H. Bruns, Jr.
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: 02/09/98 /s/
Mark H. Cosmez II
Vice President, Finance and
Chief Financial Officer
(Principal Accounting Officer)

EXHIBIT 11

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 using the treasury stock method.

<TABLE>
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	Three Months Ended		Nine Months Ended	
	Dec. 27, 1997	Dec. 28, 1996	Dec. 27, 1997	Dec. 28, 1996
<S>	<C>	<C>	<C>	<C>
Net earnings	$ 72	$ 773	$ 908	$ 1,911
Weighted average:				
Common shares outstanding	4,320	4,306	4,318	4,298
Common shares equivalents	93	80	59	78
Common shares assuming dilution	4,413	4,386	4,377	4,376
Net earnings per share of common stock	$ 0.02	$ 0.18	$ 0.21	$ 0.44
Net earnings per share of common stock assuming dilution	$ 0.02	$ 0.18	$ 0.21	$ 0.44
Number of stock options not included in the computation of diluted EPS because the option's exercise price was greater than the average market price of common stock	---	75	165	25

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