FORM 10-Q

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

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1995

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 number 0-10605

ODETICS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	95-2588496
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1515 SOUTH MANCHESTER AVE., ANAHEIM, CA 92802

(Address of principal executive offices) (Zip Code)

(714) 774-5000

(Registrant's telephone number, including area code)

(Former name, former addressed and former fiscal year, if changed since last report)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of Common Stock outstanding as of August 07, 1995

Class A Common Stock - 4,810,641 shares.
Class B Common Stock - 1,161,031 shares.

INDEX

PART I
ITEM 1 FINANCIAL INFORMATION

ODETICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,	
	1994	1995
Net sales and contract revenues:		
Net sales	$17,968	$19,167
Contract revenues	4,517	2,270
	22,485	21,437
Costs and expenses:		
Cost of sales	12,315	12,185
Cost of contract revenues	2,030	1,359

Selling, general and administrative expenses	4,911	5,143
Research and development expenses	2,087	1,730
Interest expense	437	680
	21,780	21,097
Income before income taxes	705	340
Income taxes	240	129
Net Income	$ 465	$ 211
Weighted average number of shares outstanding	5,961	5,965
Net income per share of common stock	$ 0.08	$ 0.04

See notes to consolidated financial statements.

ODETICS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 1995	June 30, 1995 (unaudited)
ASSETS		
Current Assets		
Cash	$ 378	$ 329
Trade accounts receivable	17,813	18,909
Costs and estimated earnings in excess of billings on uncompleted contracts	3,136	3,492
Inventories:		
Finished goods	2,690	2,635
Work in process	2,702	1,801
Materials and supplies	20,075	19,464
Total inventories	25,467	23,900
Prepaid expenses and other	1,533	1,533
Deferred income taxes	2,683	2,554
Total Current Assets	51,010	50,717
Property, plant and equipment		
Land	2,090	2,090
Buildings and improvements	16,948	16,997

Equipment, furniture and fixtures	22,727	22,911
	41,765	41,998
Less accumulated depreciation	-21,056	-21,614
Net property, plant and equipment	20,709	20,384
Other Assets	639	870
Total Assets	$72,358	$71,971

See notes to consolidated financial statements.

ODETICS, INC.

CONSOLIDATED BALANCE SHEETS (cont'd)
(in thousands)

	March 31, 1995	June 30, 1995 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$ 8,155	$ 7,271
Accrued expenses	3,693	2,373
Accrued vacation	1,178	1,362
Billings in excess of costs and estimated earnings on uncompleted contracts	3,955	4,380
Current portion of long-term debt	1,296	1,222
Total current liabilities	18,277	16,608
Long-term debt - Less current portion	25,757	26,812
Deferred income taxes	588	599
Stockholders' equity		
Preferred stock, authorized 2,000,000 shares; none issued	--	--
Common stock, authorized 10,000,000 shares of class A and 2,600,000 shares of class B; 4,803,988 shares of class A and 1,161,031 shares of class B issued and outstanding at June 30, 1995 - $.10 par value	595	596
Paid-in capital	21,067	21,067
Foreign currency translation	46	50
Retained earnings	6,028	6,239
Total stockholders' equity	27,736	27,952

Total liabilities and stockholders' equity	$ 72,358	$ 71,971
	===========	===========

See notes to consolidated financial statements.

ODETICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended June 30,	
	1994	1995
Operating activities		
Net income	$ 465	$ 211
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	538	563
Provision for inventory reserves	543	152
Provision for losses on accounts receivable	0	43
Provision for deferred income taxes	240	11
Foreign currency translation gain	4	4
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	946	(1,139)
(Increase) in costs and estimated earnings in excess of billings on uncompleted contr ...	(40)	(356)
(Increase) Decrease in inventories and prepaid expenses	(2,520)	1,544
(Increase) in other assets	(264)	(236)
(Decrease) in accounts payable and accrued expenses	(2,401)	(2,020)
Increase (Decrease) in billings in excess of cost and estimated earnings on uncompleted contracts	(876)	425
Net cash used in operating activities	(3,365)	(798)
Investing activities		
Purchases of property, plant, and equipment	(769)	(233)
Net cash used in investing activities	(769)	(233)
Financing activities		
Proceeds from revolving line of credit and long-term borrowings	5,730	10,750
Principal payments on line of credit, long-term debt and capital lease obligations	(1,875)	(9,769)
Proceeds from sale of common stock	374	1
Net cash provided by financing activities	4,229	982

Increase (decrease) in cash	95	(49)
Cash at beginning of year	172	378
Cash at June 30	$ 267	$ 329

See notes to consolidated financial statements.

ODETICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments consisting of normal recurring accruals necessary to present fairly the Company's consolidated financial position as of June 30, 1995 and the consolidated results of operations and cash flows for the three-month periods ended June 30, 1994 and 1995. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations for the three-month period ended June 30, 1995 are not necessarily indicative of those to be expected for the entire year.

Note 2 - Income tax expense for the three-month periods ended June 30, 1994 and 1995 have been provided at the estimated annualized effective tax rates based on the estimated income tax liability or asset and change in deferred taxes for their respective fiscal years. Deferred taxes result primarily from temporary differences in the reporting of income for financial statement and income tax purposes. These differences relate principally to the use of accelerated cost recovery depreciation methods for tax purposes, capitalization of interest and taxes for tax purposes, capitalization of computer software costs for financial statement purposes, deferred compensation, other payroll accruals, and reserves for inventory and accounts receivable for financial statement purposes and general business tax credit and alternative minimum tax credit carryforwards for tax purposes.

Note 3 - Long-term Debt

	(in thousands)	
	March 31, 1995	June 30, 1995
Line of credit	$14,100	$13,800
Mortgage note	11,829	11,637
Contracts payable	1,124	2,597
	27,053	28,034
Less current portion	1,296	1,222
	$25,757	$26,812

During April 1995, the Company secured borrowings of $1,750,000 collateralized by equipment, payable in monthly installments through March 1999, including interest at 8.99%.

Note 4 - On November 15, 1994, the Company filed suit in the Superior Court of Los Angeles, California ("California Action"), against E-Systems, Inc. for breach of contract due to cancellation of all remaining purchase orders for ATL Products' DataLibrary and DataTower products under an agreement which extended until 1996. Additionally, the

Company's suit claims breach of contract for the return and cancellation of a purchase order for ATL Products' ACL 5480 and ACL 2640 products. Shortly prior to the filing of the suit, E-Systems had notified the Company of its cancellation of all purchase orders under the above mentioned agreements due to alleged product reliability problems.

On February 2, 1995, E-Systems filed a countersuit in the District Court of Dallas, Texas ("Texas Action"), against the Company for breach of good faith and fair dealing whereby it is alleged that the Company did not provide reliable "commercial" products--ATL Products' DataLibrary Systems and DataTower Systems. The Company believes the claims of the countersuit from E-Systems are without merit and will be vigorously defended.

On May 15, 1995, E-Systems filed a cross-complaint in the California Action ("California Cross-Complaint"). Although somewhat differently phrased than the Texas Action, the California Cross-Complaint appears to seek recovery for the same claims as made by E-Systems in the Texas Action. The California Cross-Complaint is stated in two counts, one pertaining to DataLibraries and one pertaining to DataTowers. The Company believes the claims of the California Cross-Complaint are without merit and will be vigorously defended.

Both the initial suit and countersuit are in preliminary discovery and other pretrial investigation proceedings and will proceed concurrently in the California Court. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any losses or recovery that may occur from the ultimate resolution of the litigation has been made in the accompanying financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net sales and contract revenues for the first quarter of fiscal year 1996 decreased approximately $1,048,000, or 4.7% compared to the first quarter of the prior fiscal year. The components of this overall reduction consisted of a decrease in contract revenues (government products) of approximately $2,247,000, or 49.8%, which was partially offset by an increase in net sales (commercial products) of approximately $1,199,000, or 6.7%.

The 6.7% growth in commercial net sales was primarily due to increased sales in the Company's Broadcast Division. The Broadcast Division's sales growth reflected an increase in shipments of its SpotBank(TM) and the CacheMachine(TM) along with initial revenue shipments of its new Prophet(TM) system. The Company's wholly owned subsidiary, ATL Products, Inc. ("ATL"), experienced a decrease in revenues compared to the same period in the prior fiscal year. This decrease was due to the absence this year of a major customer, E-Systems, which comprised approximately 12% of Odetics' total first quarter net sales and contract revenues for the first quarter of fiscal 1995. Government product revenues decreased primarily due to the slowdown in government spending and the Company's transition away from certain government markets.

Cost of sales and contract revenues as a percentage of net sales and contract revenues declined from 63.8% for the first quarter of fiscal 1995 to 63.2% as a result of a sales mix favoring products with lower product cost of sales in the current year first quarter.

Selling, general and administrative (SG&A) expenses increased approximately $232,000 to 24.0% of net sales and contract revenues for the first quarter of fiscal 1996 compared to 21.8% for the comparable quarter in fiscal year 1995. SG&A expenses increased for the first quarter compared to the same period in the prior fiscal year due to increased expenses related to expanding foreign operations in Odetics, Europe Ltd., and Odetics, Asia Pacific, Pte., and increased selling expenses for commissions and advertising related to increased commercial product sales and the timing of the Company's attendance at certain trade shows.

Research and development (R&D) expenses decreased approximately $357,000 to 8.1% of net sales and contract revenues for the first quarter of fiscal year 1996 compared to 9.3% for the first quarter of 1995. The decrease in R&D expenses as a percentage of net sales and contract revenues reflected the effect of certain cost-cutting measures taken during the second half of fiscal 1995 and completion of certain major R&D programs in the fourth quarter of fiscal 1995.

Interest expense increased approximately $243,000 for the first quarter of fiscal 1996 compared to the same period during the prior fiscal year primarily due to increased line of credit borrowing and increased cost of borrowings.

The effective income tax rate was 38% for the first quarter of fiscal 1996 compared to a 34% tax rate for the same period of the prior year. The increase in the effective tax rate projected for fiscal 1996 is due to a reduction in the effect of general business tax credits on total income tax expense.

Liquidity and Sources of Capital

Although the Company reported net income of $211,000 during the first quarter of fiscal 1995, it used $798,000 of cash to support its operating activities. Product deliveries late in the first quarter contributed to an increase in accounts receivable of $1,139,000 at June 30, 1995, which constrained cash flows from operating activities. The Company also used operating cash flows to reduce accounts payable and other accrued liability balances. The Company has a $17,000,000 bank line of credit providing for borrowings generally at or below the bank's prime rate. Borrowings are available for general working capital purposes, and at June 30, 1995, $3,200,000 was available for borrowing under the line. The Company anticipates that net cash flow from operating activities in conjunction with its bank credit arrangements will be sufficient to execute its operating plans and meet its obligations on a timely basis. The Company does not have any material commitments for capital expenditures as of June 30, 1995.

ODETICS, INC.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three-month period ended June 30, 1995.

ODETICS, INC.

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.

ODETICS, INC.
(Registrant)

By /s/ Gregory A. Miner

Gregory A. Miner
Vice President, Chief Financial Officer

By /s/ Gary Smith

Gary Smith
Vice President, Controller
(Principal Accounting Officer)

Date August 14, 1995

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