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, 1997

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 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 12, 1997

Class A Common Stock - 5,335,223 shares.
Class B Common Stock - 1,064,241 shares.

INDEX

ITEM 1 FINANCIAL INFORMATION

ODETICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended June 30, 1996	Three Months Ended June 30, 1997
Net sales and contract revenues:		
Net sales	$28,304	$38,507
Contract revenues	2,499	1,532
	30,803	40,039
Costs and expenses:		

Cost of sales	18,206	24,401
Cost of contract revenues	1,272	897
Selling, general and administrative expenses	6,893	9,310
Research and development expenses	2,288	3,785
Interest expense	493	280
Minority interest in earnings of subsidiary	0	203
	29,152	38,876
Income before income taxes	1,651	1,163
Income taxes	644	546
Net Income	$ 1,007	$ 617
Weighted average number of shares outstanding	6,477	6,686
Net income per share of common stock	$ 0.16	$ 0.09

See notes to consolidated financial statements.

ODETICS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	March 31, 1997	June 30, 1997 (unaudited)
Current Assets		
Cash	$ 11,359	$ 2,986
Trade accounts receivable, net	29,424	28,529
Costs and estimated earnings in excess of billings on uncompleted contracts	1,922	1,770
Inventories:		
Finished goods	3,435	3,601
Work in process	3,987	3,520
Materials and supplies	20,855	20,467
Total inventories	28,277	27,588
Prepaid expenses	1,333	3,372
Deferred income taxes	2,056	2,057
Total Current Assets	74,371	66,302
Property, plant and equipment		
Land	2,090	2,090
Buildings and improvements	18,238	17,798
Equipment, furniture and fixtures	29,169	31,012

	49,497	50,900
Less accumulated depreciation	(25,668)	(26,391)
Net property, plant and equipment	23,829	24,509
Other Assets	2,738	2,998
Total Assets	$100,938	$ 93,809

See notes to consolidated financial statements.

ODETICS, INC.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1997	June 30, 1997 (unaudited)
Current Liabilities		
Trade accounts payable	$ 18,478	$ 11,985
Accrued expenses	4,179	4,708
Accrued payroll and related	6,851	5,079
Income taxes payable	1,276	554
Billings in excess of costs and estimated earnings on uncompleted contracts	2,690	2,132
Current portion of long-term debt	1,721	1,593
Total current liabilities	35,195	26,051
Long-term debt - Less current portion	11,860	13,047
Deferred income taxes	540	513
Minority interest	1,515	1,718
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; 5,319,173 shares of class A and 1,064,241 shares of class B issued and outstanding at June 30, 1997 - $.10 par value	638	638
Paid-in capital	38,927	38,937
Foreign currency translation	52	77
Retained earnings	12,211	12,828
Total stockholders' equity	51,828	52,480

Total liabilities and stockholders' equity	$ 100,938	$ 93,809

See notes to consolidated financial statements.

ODETICS, INC.

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

	Three Months Ended June 30,	
	1996	1997
Operating activities		
Net income	$ 1,007	$ 617
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	853	883
Minority interest in earnings of subsidiary	0	203
Provision for losses on accounts receivable	41	193
Provision (Benefit) for deferred income taxes	(238)	(749)
Net proceeds from settlement of litigation	5,860	0
Gain on sale of assets	(200)	0
Changes in operating assets and liabilities;		
(Increase) Decrease in accounts receivable	752	702
(Increase) Decrease in net costs and estimated earnings in excess of billings	(898)	(406)
(Increase) Decrease in inventories	(2,563)	689
(Increase) Decrease in prepaids and other assets	(635)	(2,461)
Increase (Decrease) in accounts payable and accrued expenses	(242)	(7,711)
Net cash provided by (used in) operating activities	3,737	(8,040)
Investing activities		
Purchases of property, plant, and equipment	(884)	(1,403)
Proceeds from sale of equipment	0	0
Net cash used in investing activities	(884)	(1,403)
Financing activities		
Proceeds from revolving line of credit and long-term borrowings	12,100	11,600
Principal payments on line of credit, long-term debt and capital lease obligations	(16,691)	(10,541)
Net proceeds from issuance of ATL Products, Inc. common stock	0	0
Proceeds from issuance of common stock	1,108	11
Net cash provided by (used in) financing activities	(3,483)	1,070
Increase (decrease) in cash	(630)	(8,373)

Cash at beginning of year	1,142	11,359
Cash at June 30	$ 512	$ 2,986

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, 1997 and the consolidated results of operations and cash flows for the three-month periods ended June 30, 1996 and 1997. 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, 1997 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, 1996 and 1997 has 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, 1997	June 30, 1997
Line of credit	$ 2,100	$ 3,700
Mortgage note	10,171	9,940
Contracts payable	1,310	1,000
	13,581	14,640
Less current portion	1,721	1,593
	$11,860	$13,047

Note 4 - On March 13, 1997, ATL Products, Inc. ("ATL"), a subsidiary of the Company, completed an initial public offering of 1,650,000 shares of its common stock, at an offering price of $11 per share (the "Offering"). Following the Offering , the Company's beneficial ownership interest in ATL totals was reduced to 82.9%. The Company has announced its intention to pursue a tax-free spinoff of its remaining interest in ATL to the Company's stockholders by December 31, 1997, subject to certain conditions including the approval by the Company's Board of Directors and receipt of a letter ruling from the Internal Revenue Service concerning the tax-free nature of the spinoff.

ODETICS, INC.

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

In conjunction with the Consolidated Financial Statements and Notes thereto contained in this Report and in the Annual Report on Form 10-K of Odetics, Inc. (the "Company"). When used in this Report, the words "expect(s)," "feel(s)," "believe(s)," "will," "may," "anticipate(s)," and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence or unanticipated events.

Results of Operations

Net sales and contract revenues consist of sales of products and services to commercial customers ("net sales") and revenues derived from contracts with the agencies of the United States Government or its prime contractors and long-term contracts with foreign entities related to space recorders for geographical information systems ("contract revenues"). Net sales and contract revenues for the Company in the first quarter of fiscal year 1998 increased approximately $9.2 million to $40.0 million or 30.0% compared to the first quarter of the prior fiscal year. The components of this overall increase consisted of an increase in net sales of approximately $10.2 million, or 36.0%, which was partially offset by a decrease in contract revenues of approximately $1.0 million, or 38.7%. The Company's net sales and contract revenues of $40.0 million for the first quarter of 1998 included $18.6 million from ATL as compared to the comparable period in the prior fiscal year of $30.8 million which included $12.8 million from ATL.

The 36.0% growth in commercial net sales was due to sales growth in all divisions involved in commercial product sales. This increase was primarily due to an increase in ATL's net sales which reflected continued growth in its DLT based products including its new 7100 Series tape libraries that began shipping in the prior fiscal quarter. The Company also experienced growth in sales of its telecommunications products in the first quarter of fiscal 1998 compared to the first quarter of the prior year, largely due to increased unit sales of its synchronization products for cellular telephone systems and sales of its LIMO family of products for telecommunication interfaces. The Company's wholly-owned subsidiary, Gyyr, INC. experienced a 21.3% increase and the Broadcast Division recorded a 6.0% increase in net sales for the first quarter of fiscal 1998 when compared to the first quarter of the prior fiscal year.

The Company's decline in contract revenues in the first quarter of fiscal 1998 was primarily due to changes in government spending patterns and a transition by the Company from certain government markets to commercial activities.

Total gross profit for the first quarter of fiscal 1998 when compared to same period in the prior fiscal year held constant at 36.8%.

Selling, general, and administrative expenses increased 35.1% to $9.3 million (or 23.3% of total net sales and contract revenues) in the first quarter of fiscal 1998 as compared to $6.9 million (or 22.4% of total net sales and contract revenues).The dollar increase in the first quarter of fiscal 1998 principally reflects the Company's efforts to expand its sales and marketing capabilities through infrastructure growth which included higher sales commissions associated with increased sales, as well as increased expenditures for advertising, promotion and labor costs associated with the Company's increased commercial sales and marketing activities.

Research and development (R&D) expenses increased 65.4% to $3.8 million (or 9.4% of total net sales and contract revenues) in the first quarter of fiscal 1998 as compared to $2.3 million (or 7.4% of total net sales and contract revenues) in the comparable period of the prior year. The increase in R&D expense primarily reflects additional engineering and labor costs, consulting fees, prototype materials costs and other costs associated with the development, testing and preproduction costs associated with ATL's Prism products. The increase in research and development expenses in the first quarter of fiscal 1998 also reflects additional expenditures related to new product development in Gyyr, INC. and Communications divisions. The Company expects expenditures for research and development generally to increase over time and to be

higher during periods of new product development when significant expenditures are incurred in preproduction activities and increased testing. The expenditures may, therefore, continue to fluctuate as a percentage of total net sales and contract revenues from period to period.

On March 13, 1997, the Company completed an initial public offering of 1,650,000 shares of Class A Common Stock of ATL, which reduced the Company's beneficial ownership of ATL to 82.9%. The $203,000 minority interest represents the ATL stockholders' portion of ATL's net income for the first quarter of fiscal 1998. The Company has announced that it intends to distribute to its stockholders, prior to December 31, 1997, all of its Class A Common Stock of ATL, subject to certain conditions (including the receipt of a favorable letter ruling from the Internal Revenue Service concerning the tax-free nature of the distribution).

Interest expense declined approximately 43.2% to $280,000 in the first quarter of fiscal year 1998 as compared to the same period in the prior year. The decrease in interest expense was primarily due to overall lower average borrowings.

The Company's income before income taxes and minority interest of $1,366,000 for the quarter ended June 30, 1997 includes $1,983,000 of income before income taxes reported by ATL. In the previous year's first fiscal quarter ended June 30, 1996, the Company's income before income taxes of $1,651,000 included $1,552,000 of income before income taxes reported by ATL. Net of amounts reported by ATL, the Company's losses before income taxes and minority interest were $617,000 in the quarter ended June 30, 1997 compared to income before income taxes of $99,000 in the quarter ended June 30, 1997. The reduction in the Company's income before income taxes, exclusive of amounts reported by ATL, reflects the impact of increases in spending levels for both research and development, and sales and marketing in the quarter ended June 30, 1997 compared to June 30, 1996.

The effective income tax rate for the first quarter of 1998 was 40% compared to a 39% tax rate for the same period of the prior year. The increase in the effective tax rate projected for fiscal 1998 is due to a reduction in the effect of general business tax credits on total income tax expense. The Company entered into a Tax Allocation Agreement with ATL effective April 1, 1996, pursuant to which ATL will make a payment to the Company, or the Company will make a payment to ATL, as appropriate, in an amount equal to the taxes attributable to the operations of the Company on its consolidated federal income tax returns and consolidated or combined state tax returns. In addition, the Tax Allocation Agreement provides that members of the Company's consolidated group generating tax losses after April 1, 1996, will be paid by other members of the group which utilize such tax losses to reduce such other members' tax liability.

Liquidity and Capital Resources

For the first quarter of fiscal 1998, the Company used $8.0 million of cash flow in operating activities which was primarily due to a decrease in accounts payable and accrued expenses. Payments of accounts payable primarily funded inventory increases that occurred late in the last quarter of the prior fiscal year in support of the continued sales growth, and the timing of large quantity inventory receipts; mainly tape drives for ATL.

The Company has a $17.0 million bank line of credit with Imperial Bank and Comerica Bank-California which provides for borrowings generally at the lessor of the bank's prime rate (8.5% at June 30, 1997) or the bank's LIBOR rate plus 2.25%. Borrowings are available for general working capital purposes, and at June 30, 1997, approximately $13.0 million was available for borrowing under the line. The Company's borrowings under the line of credit are secured by substantially all of the Company's assets, other than the assets of ATL. At June 30, 1997, $3.7 million was outstanding under this line of credit.

In March 1997, ATL entered into a separate $5.0 million line of credit with Imperial Bank which provides for borrowings generally at the lessor of the bank's prime rate (8.5% at June 30, 1997) or the bank's LIBOR rate plus 2.25%. No amounts were outstanding under this line of credit as of June 30, 1997. ATL's borrowings under the line of credit are secured by substantially all of ATL's assets.

In April 1997, ATL entered into a promissory note payable to the Company in the original principal amount of $13.0 million representing the aggregate balance of ATL's interest bearing advances from the Company. This note bears interest at a rate equal to the Company's cost of borrowing (8.5% at June 30, 1997). Principal and interest on this note are payable to the Company in sixteen equal quarterly installments at the end of each calendar quarter commencing June 30, 1997.

ATL entered into a lease for new facilities in Irvine, California during the first calendar quarter of 1997. ATL began to relocate to its new facility at the end of fiscal 1997 and completed its move in the first quarter of fiscal 1998. The Company anticipates that ATL will incur expenditures of approximately $500,000 for relocation costs, leasehold improvements and capital equipment for this new facility.

The Company anticipates that net cash flow generated by operating activities, together with the net proceeds of ATL's initial public offering and funds available under the Company's line of credit will be adequate to enable the Company to execute its operating plans and meet its obligations on a timely basis for at least the next twelve months.

RISK FACTORS

The Company's business is subject to a number of risks, some of which are discussed below. Other risks are presented elsewhere in this Report. The following risks should be considered carefully in addition to the other information contained in this Report in evaluating the Company and its business before purchasing the shares of the Company's Common Stock.

Fluctuations in Quarterly Operating Results. The Company has experienced wide fluctuations in quarterly and annual operating results in the past and may continue to experience fluctuations in the future based on a number of factors, not all of which are in the Company's control. These factors include, without limitation, the size and timing of significant customer orders; the introduction of new products by competitors; the availability of components used in the manufacture of the Company's products; the expenditure of substantial funds for research and development for its subsidiaries and divisions; changes in pricing policies by the Company, its suppliers or its competitors and increased price competition; the ability of the Company to develop, introduce, market and gain market acceptance of new products, applications and product enhancements in a timely manner and to control costs; the Company's success in expanding and implementing its sales and marketing programs; technological changes in the networked computing market and the other markets in which the Company operates; the reduction in revenues from government programs; the relatively thin level of backlog at any given time; the mix of sales among the Company's channels; deferrals of customer orders in anticipation of new products, applications or product enhancements; currency fluctuations; and general economic and market conditions. Moreover, the Company's sales in any quarter typically consist of a relatively small number of large customer orders, and the timing of a small number of orders can impact quarter to quarter results. The loss of or a substantial reduction in orders from any significant customer could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's growth in revenues in recent periods may not be sustainable and may not be indicative of future operating results, and there can be no assurance that

the Company will continue to achieve profitability on a quarterly or annual basis in the future. Due to all of the foregoing factors and other risks discussed below, it is possible that in some future period the Company's operating results may be below the expectations of analysts and investors. In such event, the market price of the Company's securities would probably be materially and adversely affected.

Dependence on Sole Source Suppliers. The Company purchases numerous parts, supplies and other components used in its products from various independent suppliers, some of whom are the sole supplier for certain parts and components. ATL currently derives substantially all of its revenues from the sale of its DLT based products and related services. Quantum Corporation, which has the exclusive worldwide manufacturing rights for the DLT technology, is the sole supplier of the DLT tape drives used in ATL's products. Quantum has informed ATL that the growth in the demand for the DLT7000 drives will result in continued limitations in the availability of these drives. ATL does not expect that its indicated allocation of DLT7000 drives will have a material adverse effect on its results of operations in the near future. The foregoing statement is intended to be a forward-looking statement and actual results may differ as a result of the factors set forth in this paragraph. There can be no assurance that Quantum will not revise its allocation to ATL or that Quantum will otherwise continue to provide an adequate supply of the DLT7000 drives. The Company also currently relies on single supplier for the principal component of the GYYR's time-lapse videotape cassette recorders. The Company has not been able to secure any guarantee of the future supply of its sole sourced components. The disruption or termination of the supply of any of the Company's source sourced components for any reason would have a material adverse effect on the Company's business, financial condition and results of operations.

Rapid Technological Change; Effect of New Product Introductions. The markets served by the Company are characterized by rapid technological advances, downward price pressure in the marketplace as technologies mature, changes in customer requirements, frequent new product introductions and enhancements, and evolving industry standards. The Company's business requires substantial ongoing research and development efforts and expenditures, and its future success will depend on its ability to enhance

its current products, reduce product costs and develop and introduce new products which incorporate the latest technological advancements in hardware, storage media, operating system software and applications software in response to evolving customer requirements. The Company's failure to anticipate or respond adequately to technological developments and changing customer requirements, the occurrence of significant delays in new product development or introduction or the failure of any new products to gain market acceptance could impair the Company's competitiveness and could materially and adversely affect the Company's business, financial condition and results of operations. There can be no assurance that the Company will be able to introduce new products or enhancements to existing products on a timely basis, if at all, or the effect to which such introductions will have on sales of existing products. To the extent new products are introduced, they may contain undetected design faults and software errors, or "bugs," when first released by the Company that, despite testing by the Company, are discovered only after a product has been installed and used by customers. Although the Company has not experienced any material adverse effect resulting from any such faults or errors to date, there can be no assurance that faults or errors in the Company's existing products or in new products introduced by the Company will not be discovered in the future, causing delays in product introduction and shipments or requiring design modifications that could adversely affect the Company's competitive position and results of operations.

Competition. The Company competes in each of its markets with numerous other companies, many of which have far greater name recognition and financial, technological, marketing and customer service resources than the Company and may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or devote greater resources to the development, promotion, sale and support of their products than the Company. The principal competitive factors in the markets in which the Company participates are product quality and performance, price, reliability, upgradeability, service and technical support. There can be no assurance that the Company will be able to compete effectively in the markets for its products. Increased competition is likely to result in price reductions, reduced gross margins and loss of market

share, any of which could have a material adverse affect upon the Company's business, operating results and financial condition.

Risks Associated with International Sales. International product sales represented approximately 12% and 17% of the Company's total net sales and contract revenues during fiscal 1996 and 1997, respectively. The Company believes that international sales will continue to represent a significant portion of its revenues, and that continued growth and profitability will require further expansion of its international operations. The Company's international sales are currently denominated primarily in U.S. dollars, and an increase in the relative value of the dollar could make the Company's products more expensive and, therefore, potentially less price competitive in international markets. Additional risks inherent in international business activities generally include unexpected changes in regulatory requirements, tariffs and other trade barriers, longer accounts receivable payment cycles, difficulties in managing and staffing international operations, potentially adverse tax consequences including restrictions on the repatriation of earnings, the burdens of compliance with a wide variety of foreign laws, currency fluctuations and political and economical instability. The Company does not engage in any transactions as a hedge against risks of loss due to foreign currency fluctuations. There can be no assurance that such factors will not have a material adverse effect on the Company's future international sales and, consequently, the Company's business, operating results and financial condition. Furthermore, as the Company increases its international sales, its total revenues may also be affected to a greater extent by seasonal fluctuations resulting from lower sales that typically occur during the summer months in Europe and other parts of the world.

Dependence on Key Personnel. The Company's future performance depends to a significant extent on its senior management and other key employees, in particular Joel Slutzky, the Company's Chief Executive Officer, and Kevin C. Daly, Ph.D., the Chief Executive Officer of ATL. The loss of the services of either Mr. Slutzky or Dr. Daly would have a material adverse effect on the Company's development and marketing efforts. The Company's future success will also depend in large part upon its ability to attract, retain and motivate highly skilled employees. In addition, the Company

is actively seeking to retain a successor chief financial officer for ATL. Competition for such employees, particularly development engineers and an experienced chief financial officer, is intense, and there can be no assurance that the Company will be able to continue to attract and retain sufficient numbers of such highly skilled employees. The Company's inability to attract and retain additional key employees or the loss of one or more of its current key employees could have a material adverse effect upon the Company's business, financial condition and results of operations.

Dependence on Proprietary Technology; Risks of Infringement. The Company's ability to compete effectively depends in part on its ability to develop and maintain proprietary aspects of its technology which the Company attempts to protect with a combination of patent, copyright, trademark and trade secret laws, employee and third party nondisclosure agreements and similar means. Such rights may not preclude competitors from developing substantially equivalent or superior products to the Company's products. In addition, the laws of some foreign countries do not protect the Company's proprietary rights as fully as do the laws of the United States. There can be no assurance that the Company's means of protecting its proprietary rights in the United States or abroad will be adequate, that future patents will be issued, or that competitors will not independently develop technologies that are similar or superior to the Company's technology, duplicate the Company's technology, or design around any patent of the Company. Moreover, litigation may be necessary in the future to enforce the Company's intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend the Company against claims of infringement or invalidity by others. An adverse outcome in such litigation or similar proceedings could subject the Company to significant liabilities to third parties, require disputed rights to be licensed from others or require the Company to cease marketing or using certain products, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. If the Company is required to obtain licenses under patents or proprietary rights of others, there can be no assurance that any required licenses would be made available on terms acceptable to the Company, if at all. In addition, the cost of addressing any intellectual property litigation claim, both in legal fees and expenses and the diversion of

management resources, regardless of whether the claim is valid, could be significant and could have a material adverse effect on the Company's results of operations.

Volatility of Stock Price. The trading price of the Company's Common Stock could be subject to wide fluctuations in response to quarterly variations in operating results, shortages announced by suppliers, announcements of technological innovations or new products, applications or product enhancements by the Company or its competitors, changes in financial estimates by securities analysts and other events or factors. In addition, the stock market has experienced volatility which has particularly affected the market prices of equity securities of many high technology companies and which often has been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Company's securities.

Concentration of Ownership. As of August 12, 1997, the Company's officers and directors beneficially owned a majority of the total combined voting power of the outstanding shares of Class A Common Stock and Class B Common Stock. As a result of their stock ownership, management will be able to significantly influence the election of the Company's directors and the outcome of corporate actions requiring stockholder approval, such as mergers and acquisitions, regardless of how other stockholders of the Company may vote. This concentration of voting control may have a significant effect in delaying, deferring or preventing a change in management or change in control of the Company and may adversely affect the voting or other rights of other holders of Common Stock.

Pending Distribution. The Company has announced its intention to distribute to its stockholders all of its shares of ATL Class A Common Stock prior to December 31, 1997, subject to the satisfaction or waiver of certain conditions (including the receipt by the Company of a favorable tax ruling from the Internal Revenue Service confirming the tax-free nature of the Distribution). No assurance can be given, however, that such conditions will be satisfied or waived, or that the Distribution will occur. For the Distribution to occur, the Board of Directors of the Company must conclude, at the time of the Distribution, that the Distribution is in the best interest of the stockholders

of the Company. Failure to undertake the Distribution could materially and adversely affect the market price of the Company's securities.

Anti-Takeover Effect of Charter Provisions, Bylaws and Stock Structure. The Company has two classes of Common Stock which are substantially identical other than with respect to voting power. The Class A Common Stock offered hereby entitles the holder to 1/10th vote per share and Class B Common Stock entitles the holder to one vote per share, with concentration of ownership of the Class B Common Stock in the Company's officers and directors and their affiliates. In addition, the Company's Board of Directors is elected annually on a split vote basis, with the holders of Class A Common Stock currently being entitled to elect two of the directors and holders of the Class B Common Stock currently being entitled to elect the remaining six directors. These provisions could have the effect of discouraging a proxy contest or making it more difficult for a third party acquiring a substantial block of the Company's Common Stock to effect a change in management and control of the Company. Such provisions also could limit the price that investors might be willing to pay in the future for shares of the Company's Common Stock.

The Board of Directors of the Company is authorized to issue, without stockholder approval, up to 2,000,000 shares of Preferred Stock with voting, conversion and other rights and preferences, as well as additional shares of Common Stock, which could adversely affect the voting power or other rights of the holders of Class A Common Stock. Although the Company has no current plans to issue any shares of Preferred Stock or additional shares of Common Stock other than the Class A Common Stock offered hereby, the future issuance of Preferred Stock or Common Stock or of rights to purchase Preferred Stock or Common Stock could be used to discourage an unsolicited acquisition proposal.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company brought an action against Storage Technology Corporation

("StorageTek") in the Eastern District Court of Virginia alleging that StorageTek had infringed the Company's patent covering robotics tape cassette handling systems (United States Patent No. 4,779,151). StorageTek counterclaimed alleging that the Company infringed several of StorageTek's patents. Prior to trial, the court dismissed two of the infringement claims against the Company and the third claim was resolved between the parties. In January 1996, the jury determined that the patent claims were not infringed under the doctrine of equivalents based upon a claim construction defined by the court prior to the trial. The jury also concluded that the Company's patent was not invalid. In June 1997, the United States Court of Appeals for the Federal Circuit vacated the lower court's claim construction and findings of noninfringement of the Company's patent. The appellate court remanded the case for consideration of infringement under a proper claim construction. In August 1997, the appellate court denied a petition for rehearing requested by StorageTek.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three-month period ended June 30, 1997.

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 13, 1997

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		MAR-31-1998
<PERIOD-START>		APR-01-1997
<PERIOD-END>		JUN-30-1997
<CASH>		2,986
<SECURITIES>		0
<RECEIVABLES>		28,529
<ALLOWANCES>		0
<INVENTORY>		27,588
<CURRENT-ASSETS>		66,302
<PP&E>		50,900
<DEPRECIATION>		(26,391)
<TOTAL-ASSETS>		93,809
<CURRENT-LIABILITIES>		26,051
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		638
<OTHER-SE>		38,938
<TOTAL-LIABILITY-AND-EQUITY>		93,809
<SALES>		40,039
<TOTAL-REVENUES>		40,039
<CGS>		25,298
<TOTAL-COSTS>		25,298
<OTHER-EXPENSES>		13,298
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		280
<INCOME-PRETAX>		1,163
<INCOME-TAX>		546
<INCOME-CONTINUING>		546
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		617
<EPS-PRIMARY>		.09
<EPS-DILUTED>		.09