

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

X Quarterly report pursuant to 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 0-16106

APA OPTICS, INC.

(exact name of small business issuer as specified in its charter)

Minnesota 41-1347235
 (State or other jurisdiction of (I.R.S. Employer Identification No.)
 incorporation or organization)

2950 N.E. 84th Lane, Blaine, Minnesota 55449
 (Address of principal executive offices and zip code)

Issuer's telephone number, including area code: (612) 784-4995

Indicate whether the issuer (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 issuer was required to file such reports), and (2) has been subject to the filing requirement 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:

Class:	Outstanding at June 30, 1995
Common stock, par value \$.01	7,385,007

Page 2 of 8

PART 1, FINANCIAL INFORMATION

ITEM 1, FINANCIAL STATEMENTS

APA OPTICS, INC.
 CONDENSED BALANCE SHEETS

<TABLE> <CAPTION> ASSETS	June 30 1995	March 31 1995
<S>	<C>	<C>
CURRENT ASSETS:	(Unaudited)	(Audited)*
Cash and short-term investments	\$ 313,152	\$ 401,034
Accounts receivable	460,896	421,943
Inventories:		
Raw Materials	61,128	61,791
Work-in-process & finished goods	153,839	146,414
Prepaid expenses	19,137	31,225
Bond reserve funds	87,083	63,333
TOTAL CURRENT ASSETS	1,095,235	1,125,740
PROPERTY AND EQUIPMENT, NET	1,424,465	1,492,282
OTHER ASSETS	471,078	445,075
	\$ 2,990,778	\$ 3,063,097
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 95,000	\$ 95,000
Accounts payable	75,894	97,584
Accrued expenses	1,842	40,476
TOTAL CURRENT LIABILITIES	172,736	233,060
LONG TERM DEBT	445,000	445,000

SHAREHOLDERS' EQUITY

Undesignated shares; 5,000,000 shares authorized; none issued	---	---
Common stock, \$.01 par value; 15,000,000 shares authorized; 7,385,007 & 7,376,923 issued	73,850	73,769
Paid-in-capital	5,126,703	5,122,292
Retained earnings (deficit)	(2,827,511)	(2,811,024)
	2,373,042	2,385,037
	\$ 2,990,778	\$ 3,063,097

</TABLE>

* Derived from audited financial statements

Page 3 of 8

APA OPTICS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>

<CAPTION>

	Three months ended June 30,	
	1995	1994
<S>	<C>	<C>
REVENUES	\$ 592,017	\$ 450,222
COSTS AND EXPENSES:		
Cost of sales and services	445,326	321,345
Selling, general & administrative	152,627	129,288
Research & development	2,467	97,675
	600,420	548,308
Gain/Loss from Operations	(8,403)	(98,086)
INTEREST INCOME & EXPENSE:		
Interest Income	2,445	1,527
Interest Expense	(10,279)	(11,819)
	(7,834)	(10,292)
INCOME (LOSS) BEFORE INCOME TAXES	(16,237)	(108,378)
INCOME TAX EXPENSE (BENEFIT)	250	250
NET INCOME (LOSS)	\$ (16,487)	\$ (108,628)
EARNINGS (LOSS) PER COMMON & COMMON EQUIVALENT SHARE (EXHIBIT 11)		
	\$ (.00)	\$ (.01)
WEIGHTED AVERAGE SHARES OUTSTANDING		
	7,381,792	7,274,923

</TABLE>

Page 4 of 8

APA OPTICS, INC.
STATEMENT OF CASH FLOWS
(UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended June	
	1995	1994
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income (loss)	\$ (16,487)	\$ (108,628)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	103,193	108,865
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(38,953)	(22,720)
(Increase) decrease in inventories and		

prepaid expenses	(18,424)	(65,206)
Increase (decrease) in accounts payable and accrued expenses	(60,324)	(38,964)
Other	(38,003)	(11,588)
Net cash provided by (used in) operating activities	(68,998)	(138,241)
INVESTING ACTIVITIES		
(Purchases) Sales of property and equipment	(23,376)	108,979 *
Net cash used in investing activities	(23,376)	108,979
FINANCING ACTIVITIES		
Proceeds from the sale of common stock	4,492	---
Repayment of long-term debt	---	---
Net cash provided by financing activities	4,492	---
Increase (decrease) in cash	(87,882)	(29,262)
Cash at Beginning of Period	401,034	274,204
Cash at End of Period	\$ 313,152	\$ 244,942

</TABLE>

NOTE TO CONDENSED FINANCIAL STATEMENTS

1. In the opinion of management, the information furnished reflects all adjustments which are necessary to a fair statement of the results of the interim periods presented. All adjustments were of a normal recurring nature. The result of any interim period are not necessarily indicative of results for the full year.

* Includes \$125,000 from the sale of used equipment.

Page 7 of 8

PART II. OTHER INFORMATION

ITEMS 1 - 5. Not Applicable.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibit 11: Statement RE: Computation of per share earnings.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the three months ended June 30, 1995.

Signatures

In accordance with the requirements of the Securities Exchange Act of 1934, the issuer caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APA OPTICS, INC.

Date	Anil K. Jain President Principal Executive Officer Treasurer & Principal Financial Officer
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Date	Randal J. Becker Principal Accounting Officer
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Page 8 of 8

EXHIBIT 11

APA OPTICS, INC.

<TABLE>
<CAPTION>

Statement RE: Computation

of Per Share Earnings

<S>	Three months ended	
	1995	1994
<C>	June 30,	<C>
Average common shares outstanding	7,381,792	7,274,923
Dilutive stock options and warrants (A)	---	---
Total	7,381,792	7,274,923
Net income (loss)	\$ (16,487)	\$(108,628)
Per share amount	\$(.00)	\$(.01)

</TABLE>

(A) Calculated using the "treasury stock" method.

Page 5 of 8

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

Results of Operations:

Revenues for the first quarter of fiscal 1996 ending June 30, 1995 were \$592,017, an increase of 31% from the first quarter of fiscal 1995 ending June 30, 1994. The first quarter revenues of fiscal 1996 are also up 6% as compared to the previous quarter. (4th quarter FY 1995). While the production revenues decreased by \$89,538 during the first quarter of fiscal year 1996 as compared to the first quarter of fiscal year 1995, the contract revenues increased by \$231,333 resulting in an overall increase of \$141,795 for the period. This shift is consistent with the Company's overall plans to focus upon production and marketing of products based upon its research and development activities. The Company believes that its contract research and development activities along with additional company paid research and development activities are vital to the development of these future products. The increased contract revenues also resulted in reducing the Company's paid internal research and development expenses to \$2,467 during the first quarter of fiscal year 1996 from \$97,675 for the first quarter of fiscal year 1995.

The substantial increase in government contract revenues for the first quarter of fiscal 1996 as compared to the first quarter of fiscal 1995 is a result of the Company's efforts in winning new government contracts in fiscal 1995. The Company's backlog of unfinished government contracts is still around 4 million as previously mentioned in our 1995 annual report.

For the first quarter of fiscal 1996, the Company is reporting a net loss of (\$16,487) as compared to a net loss of (\$108,628) for the first quarter of fiscal 1995. This significant decrease in losses of \$92,141 is mainly due to significant reduction in company paid research and development expenses and increased contract revenues. While the cumulative research and development activities (contract and internal), an indicator of the overall product development activities, increased in the first quarter of fiscal year 1996 (\$545,077) as compared to the first quarter of fiscal year 1995 (\$408,952), the expenses for internal research decreased by \$95,208 over the same period. The Company anticipates that the cumulative research and development activities will increase during the next few quarters of fiscal 1996.

Page 6 of 8

Liquidity and Capital Resources:

The Company's cash balance at June 30, 1995 is \$313,152. The Company's current ratio is over six to one. The Company believes

that it has sufficient cash to maintain its normal operation through the balance of fiscal 1996 and beyond. Additionally, the Company is in the process of expanding its opto-electronic product manufacturing facilities in Aberdeen, South Dakota based on economic assistance from the State of South Dakota and the City of Aberdeen. In particular, South Dakota will provide assistance in excess of \$6.5 million. The Company will need to supplement this package with \$2.0 million over the next two years, which it plans to raise through equity financing. The Company believes that these funds will be sufficient for the Aberdeen operation over the next

Page 7 of 8

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Signatures

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

APA OPTICS, INC.

07/31/95	s/s Anil K. Jain
Date	Anil K. Jain President Principal Executive Officer Treasurer & Principal Financial Officer
07/31/95	s/s Randal J. Becker
Date	Randal J. Becker Principal Accounting Officer