

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 quarterly period ended
September 28, 1997.
- --- 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: 0-24020
GROUP TECHNOLOGIES CORPORATION
(Exact name of registrant as specified in its charter)

FLORIDA 59-2948116
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

10901 Malcolm McKinley Drive
Tampa, Florida 33612
(Address of principal executive offices, including zip code)

(813) 972-6000
(Registrant's telephone number, including area code)

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
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As of November 4, 1997 there were 16,233,861 shares of the Registrant's Common
Stock outstanding.

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Part I. Financial Information

Item 1. Financial Statements

GROUP TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	September 28, 1997	September 29, 1996	September 28, 1997	September 29, 1996
	-----	-----	-----	-----
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	\$21,555	\$48,190	\$84,452	\$180,380
Cost of operations	22,098	47,376	85,173	170,549
	-----	-----	-----	-----
Gross (loss) profit	(543)	814	(721)	9,831
Selling, general and administrative expense	1,737	2,393	4,986	8,597
Research and development	0	2	99	296
	-----	-----	-----	-----
Operating (loss) income	(2,280)	(1,581)	(5,806)	938
Interest (income) expense, net	(106)	756	1,087	2,682
Other (income) expense, net	(3,206)	93	(3,461)	166
	-----	-----	-----	-----
Income (loss) before income taxes	1,032	(2,430)	(3,432)	(1,910)
Income tax expense	0	388	152	845
	-----	-----	-----	-----
Net income (loss)	\$1,032	\$ (2,818)	\$ (3,584)	\$ (2,755)
	=====	=====	=====	=====
Net income (loss) per share:				
Primary	\$0.06	\$ (0.17)	\$ (0.22)	\$ (0.17)
Fully diluted	\$0.06	\$ (0.17)	\$ (0.22)	\$ (0.17)
Shares used in computing per share amounts:				
Primary	16,885	16,221	16,221	16,135
Fully diluted	17,530	16,221	16,221	16,135

The accompanying notes are an integral part of the consolidated financial statements.

GROUP TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except for share data)

	September 28, 1997 ----- (Unaudited)	December 31, 1996 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,070	\$661
Accounts receivable, net	10,145	22,754
Inventories, net	20,780	20,220
Other current assets	1,374	2,102
	-----	-----
Total current assets	36,369	45,737
Property and equipment, net	8,477	21,206
Other assets	40	522
	-----	-----
	\$44,886	\$67,465
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$9,027	\$17,969
Accrued liabilities	17,224	16,416
Current portion of long-term debt	198	3,513
	-----	-----
Total current liabilities	26,449	37,898
Long-term debt	0	10,119
Other liabilities	0	45
	-----	-----
Total liabilities	26,449	48,062
Redeemable Preferred Stock, \$.01 par value; 1,000,000 shares authorized; 250,000 shares issued and outstanding in 1997	3	0
Additional paid-in capital - Preferred Stock	2,497	0
Shareholders' equity:		
Common Stock, \$.01 par value, 40,000,000 shares authorized; 16,220,629 shares issued and outstanding in 1997 and 1996	162	162
Additional paid-in capital	24,793	24,675
Accumulated deficit	(9,018)	(5,434)
	-----	-----
Total shareholders' equity	15,937	19,403
	-----	-----
	\$44,886	\$67,465
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended	
	September 28, 1997	September 29, 1996
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (3,584)	\$ (2,755)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,017	3,887
Gain on disposal of assets and other items	(2,882)	230
Changes in operating assets and liabilities, net of dispositions:		
Accounts receivable	8,189	7,097
Inventories	(4,713)	13,264
Other current and non-current assets	109	1,888
Accounts payable	(4,832)	(19,655)
Accrued and other liabilities	(586)	(998)
Net cash used in operating activities	(5,282)	(2,958)
Cash flows from investing activities:		
Capital expenditures	(590)	(2,376)
Proceeds from disposal of assets	18,000	11,561
Net cash provided by investing activities	17,410	9,185
Cash flows from financing activities:		
Net repayments under revolving credit agreement	(6,934)	(8,511)
Repayments of notes payable and long-term debt	(4,285)	(5,551)
Proceeds from issuance of Common Stock	0	1,000
Proceeds from issuance of Redeemable Preferred Stock	2,500	0
Net cash used in financing activities	(8,719)	(13,062)
Net increase (decrease) in cash and cash equivalents	3,409	(919)
Cash and cash equivalents at beginning of period	661	2,143
Cash and cash equivalents at end of period	\$4,070	\$1,224

The accompanying notes are an integral part of the consolidated financial statements.

GROUP TECHNOLOGIES CORPORATION

Notes to Interim Consolidated Financial Statements

Group Technologies Corporation (the "Company") was incorporated on December 27, 1988 as a subsidiary of Group Financial Partners, Inc. (the "Parent"), a private holding company. The Parent owns approximately 80% of the outstanding Common Stock of the Company.

The Company provides advanced manufacturing, engineering and testing services to original equipment manufacturers ("OEMs") of electronic products. The Company custom manufactures complex circuit card assemblies, subsystems and end-user products for use in a wide variety of markets, including automotive, commercial avionics, computer, government systems, industrial electronics, networking, space, and telecommunications.

(2) Basis of Presentation

The unaudited consolidated financial statements and related notes have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and on substantially the same basis as the annual consolidated financial statements. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated.

In the opinion of management, the consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position, operating results, and cash flows for those periods presented. Operating results for the three and nine month periods ended September 28, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. These consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 1996 as presented in the Company's annual report on Form 10-K.

During the first quarter of 1997, Statement of Financial Accounting Standard No. 128, "Earnings per Share," was issued which revises the manner in which earnings per share are calculated. In accordance with the effective date of Statement No. 128, the Company will implement the new standard during the fourth quarter of 1997. The Company does not expect that the provisions of Statement No. 128 will have a material impact upon the Company's reported earnings per share for the year ending December 31, 1997.

(3) Disposition

On June 30, 1997, the Company sold to SCI Systems, Inc., SCI Systems De Mexico S.A de C.V. and SCI Holdings, Inc. (collectively, "SCI"), all of the Company's investment in the capital stock and/or equity interests of three of its wholly-owned subsidiaries, Group Technologies S.A. de C.V., Group Technologies Suprimentos de Informatica Industria E Comercio Ltda., and Group Technologies Integracoes em Electronica Ltda. These three subsidiaries comprised all of the Company's Latin American operations. The Company also sold or assigned to SCI certain assets principally used in or useful to the operations being sold, including accounts receivable, inventory, equipment, accounts payable and equipment leases.

The initial sales price of the aforementioned assets amounted to \$18,000,000 in cash and the assumption by SCI of certain liabilities. Pursuant to procedures described in the purchase and sale agreement, the price is subject to subsequent adjustment, upward or downward, based upon, among other things, the value of the net assets of the Company's Latin American operations at June 29, 1997. The Company expects to repay \$2,900,000 of the initial sales price to SCI, subject to a final determination to be made in accordance with the purchase and sale agreement. The Company recognized a gain of \$3,200,000 during the three month period ended September 28, 1997, after giving consideration to the Company's recorded liability and expected repayment of \$2,900,000, relative to this disposition.

(4) Net (Loss) Income Per Share

Net (loss) income per share is computed using the weighted average number

of issued and issuable common shares and dilutive common equivalent shares outstanding during the applicable period. Common equivalent shares consist of stock options and warrants (vested and unvested) and are computed using the treasury stock method. The computation includes those common shares and common equivalent shares as prescribed by the Securities and Exchange Commission Staff Accounting Bulletins.

(5) Inventories

Inventories consist of the following:

	September 28, 1997 ----- (Unaudited)	December 31, 1996 -----
Raw materials	\$8,055	\$12,538
Work in process	5,011	4,100
Finished goods	0	107
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	17,263	11,655
Progress payments related to long-term contracts and programs	(5,397)	(3,292)
Reserve for inactive, obsolete and unsalable inventories	(4,152)	(4,888)
	----- \$20,780 =====	----- \$20,220 =====

The Company recognized revenue and income before income taxes during the second quarter of 1996 of \$4,083,000 upon the favorable settlement of a contractual claim.

(6) Note Payable and Long-Term Debt

On June 30, 1997, the Company utilized the proceeds from the sale of its Latin American operations (see Note 3) to repay all of its outstanding borrowings under a financing agreement (the "Credit Agreement") with its bank and terminated the Credit Agreement which previously provided the Company with a revolving line of credit facility (the "Revolver") and a term note (the "Term Note").

In connection with the initial execution of the Credit Agreement during 1996, the Company issued warrants to purchase 1,200,000 shares of Common Stock at \$0.01 per share to the lender. At the time of issuance, the Company estimated that 1,000,000 warrants would be forfeited by the lender, based on the warrant vesting schedule and the Company's intent to refinance the debt outstanding under the Credit Agreement. During the first quarter of 1997, the Company, based upon the continued utilization of the Credit Agreement, revised its estimate of warrants to be forfeited by the lender to 500,000, and therefore recognized additional paid-in capital and original issue discount of \$471,000. As a result of the early repayment and termination of the Credit Agreement on June 30, 1997, 875,000 unvested warrants were forfeited by the lender. The Company therefore reduced additional paid-in capital by \$353,000, which was the value of recorded but unvested warrants, and it reduced interest expense by \$118,000 which was the value of warrants that were amortized but subsequently forfeited by the lender.

In connection with the March 28, 1997 amendment to the Credit Agreement, the Parent invested \$2,500,000 in the Company in exchange for 250,000 shares of the Company's Preferred Stock (the "Preferred Stock").

Long-term debt consists of the following:

	September 28, 1997 ----- (Unaudited)	December 31, 1996 -----
Revolver	\$0	\$6,934
Term Note	0	2,690
Other	198	4,128
	-----	-----
Total long-term debt	198	13,752
Unamortized original issue discount related to issuance of warrants exercisable on date of issuance	0	(120)
Current portion of long-term debt	(198)	(3,513)
	-----	-----
	\$0	\$10,119
	=====	=====

(7) Preferred Stock

Each share of Preferred Stock outstanding may be exchanged for 8.1 shares of the Company's Common Stock. The Preferred Stock outstanding is also redeemable at the option of the holder (the Parent), subject to certain restrictions, and pays quarterly dividends of 8.5% per annum. The shares of Preferred Stock outstanding have voting rights equal to the voting rights of the Company's Common Stock, except that the holder of each share of Preferred Stock is entitled to the number of votes equal to the number of shares of Common Stock that would be receivable upon conversion. The rates and preferences of Preferred Stock authorized but not issued have not been determined.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This report on Form 10-Q includes forward-looking statements based on current plans and expectations of the Company, relating to, among other matters, analyses and estimates of amounts that are not yet determinable. Such forward-looking statements are contained in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations". Such statements involve risks and uncertainties which may cause actual future activities and results of operations to be materially different from those suggested in this report on Form 10-Q, including, among others: the Company's dependence on its current management; the risks and uncertainties present in the Company's business; business conditions and growth in the advanced manufacturing and engineering services industry and the general economy; competitive factors and price pressures; availability of third party component parts at reasonable prices; inventory risks due to shifts in market demand and/or price erosion of purchased components; changes in product mix; cost and yield issues associated with the Company's manufacturing facilities; as well as other factors listed from time to time in the Company's filings with the Securities and Exchange Commission.

Results of Operations

The following tables set forth certain data, expressed as a percentage of revenue, from the Company's Consolidated Statements of Operations for the three and nine-month periods ended September 28, 1997 and September 29, 1996.

	Three Months Ended		Nine Months Ended	
	September 28, 1997	September 29, 1996	September 28, 1997	September 29, 1996
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of operations	102.5	98.3	100.9	94.5
Gross (loss) profit	(2.5)	1.7	(0.9)	5.5
Selling, general and administrative expense	8.1	5.0	5.9	4.8
Research and development	0.0	0.0	0.1	0.2
Operating (loss) income	(10.6)	(3.3)	(6.9)	0.5
Interest (income) expense, net	(0.5)	1.5	1.3	1.5
Other (income) expense, net	(14.9)	0.2	(4.1)	0.1
(Loss) income before income taxes	4.8	(5.0)	(4.1)	(1.1)
Income tax expense	0.0	0.9	0.1	0.4
Net income (loss)	4.8%	(5.9)%	(4.2)%	(1.5)%

Revenue for the three months ended September 28, 1997 was \$21.6 million, a decrease of \$26.6 million or 55.3% from \$48.2 million for the three months ended September 29, 1996. Revenue for the first nine months of 1997 was \$84.5 million, a decrease of \$95.9 million or 53.2% from \$180.4 million for the first nine months of 1996. During the first nine months of 1997 as compared to the year earlier period, the Company's domestic manufacturing and engineering operations decreased by \$59.0 million. This decline in revenue is associated with decreased customer demand and the termination or completion of certain contracts.

The decreased customer demand and termination or completion of contracts experienced by the Company principally reflects the change in out-sourcing strategies of three customers which resulted in a \$44.7 million reduction of revenue during the first nine months of 1997 as compared to the first nine months of 1996. One such customer utilized the contract manufacturing services of the Company on a temporary basis while it increased its capacity to provide its manufacturing services internally. The other two customers with a change in out-sourcing strategy moved their manufacturing solutions overseas. After considering the effect of these contract curtailments, the Company believes its consolidated revenue of \$21.6 million in the third quarter of 1997 represents a sustainable level of quarterly revenue for the Company during the fourth quarter of 1997 and during 1998. Additionally, the Company believes that its existing customer base and related contracts, together with additional customers the Company is pursuing, will provide modest growth opportunities during the next twelve months. However, the Company cannot make any assurances with regard to its ability to attract or retain new and existing customers or that any related increase in volume or revenue will significantly improve the results of operations or financial position of the Company.

The Company's divestiture of its name brand products business units during the first quarter of 1996 and the recognition of \$4.1 million of revenue for a favorable claim settlement during the second quarter of 1996 accounted for an additional \$5.7 million of the \$59.0 million decline in domestic revenue during 1997. Changes in customer demand on other less significant contracts collectively accounted for the remaining \$8.6 million of the decreased domestic revenue in 1997 as compared to 1996.

The Company's Latin American operations contributed \$16.9 million and \$48.2 million to revenue in the first nine months of 1997 and 1996

respectively. Revenue from the Company's Latin American operations in the first nine months of 1997 as compared to the year earlier period decreased \$31.3 million, principally associated with the completion or curtailment of certain contracts during the second half of 1996 and the first quarter of 1997 and the Company's divestiture of all of its Latin American operations effective June 30, 1997, as more fully described in Note 3 of the accompanying Interim Consolidated Financial Statements. During the year ended December 31, 1996 and the nine month period ended September 28, 1997, the Latin American operations accounted for approximately \$1.3 million and \$2.2 million, respectively, of the operating loss of the Company. While a portion of those losses were attributable to costs allocated from the Tampa headquarters, the Company expects the divestiture of the Latin American operations and the corresponding reduction in operating costs attributable to the Latin American operations will have an overall positive impact on operating income. The Company has redirected its resources in order to successfully improve the quality and profitability of its domestic operations. However, the Company cannot make any assurances that its strategy to focus on its core domestic manufacturing and engineering business will result in improved profitability.

Gross loss for the three months ended September 28, 1997 was \$0.5 million or 2.5% of revenue compared to gross profit of \$0.8 million or 1.7% of revenue during the three months ended September 29, 1996. Gross loss for the first nine months of 1997 was \$0.7 million or 0.9% of revenue compared to a gross profit of \$9.8 million or 5.5% of revenue in the first nine months of 1996. The net decrease in year-to-date gross profit during the first nine months of 1997 was principally comprised of a \$2.0 million decrease in gross profit from the Company's domestic manufacturing and engineering services (excluding the name brand products business), a \$3.8 million decrease in gross profit from the Company's Latin American operations and a \$4.8 million decrease from the name brand products business. The primary cause for the decline in gross profit (excluding the name brand products business decline) was the fact that decreased revenue levels experienced by the Company, as discussed above, caused the Company to underutilize its manufacturing capacity. Additionally, included in the second quarter gross profit in 1996 was a favorable name brand products business claim settlement of \$4.1 million. The reduced gross profit in 1997 was also caused by low margin contracts and cost overruns on certain contracts. During the third quarter of 1997, the Company evaluated the status of certain loss contracts and recognized \$0.8 million of additional costs for these contracts. These costs arose during the third quarter due to shortages of materials, delays in attaining certain contract milestones and increased warranty estimates based on returned product. The Company also recorded, in the third quarter of 1997, a provision for excess and obsolete inventories totaling \$0.6 million. This provision was recorded to reflect the aging of the residual inventory resulting from contract terminations or curtailments and the Company's unsuccessful efforts to fully recover certain costs from its customers. The Company has modified its marketing strategies to focus on obtaining more profitable contractual agreements to mitigate the effects of the low margin contracts.

Selling, general and administrative expense for the three months ended September 28, 1997 decreased to \$1.7 million or 8.1% of revenue from \$2.4 million or 5.0% of revenue for the three months ended September 29, 1996. Selling, general and administrative expenses for the nine months ended September 28, 1997 decreased to \$5.0 million or 5.9% of revenue from \$8.6 million or 4.8% of revenue for the nine months ended September 29, 1996. The \$3.6 million decrease in selling, general and administrative expenses during the nine-month period ended September 28, 1997 as compared to the year earlier period is principally attributable to the aforementioned divestitures and an overall lower business volume. Additionally, for these same periods, the Company experienced a lower level of warehouse relocation costs and accounts receivable provisions during 1997 which accounted for a reduction in selling, general and administrative expense of \$0.3 million and \$0.7 million, respectively. With regard to warehouse relocation costs, in the second quarter of 1996, the Company implemented a cost saving strategy to integrate the materials warehousing function into its main Tampa facility. During the second quarter of 1996, the Company initially estimated that costs associated with this strategy would amount to \$0.4 million, comprised of planning and interior demolition costs, labor associated with the move of the warehouse function to

the main facility, the impairment of existing leasehold improvements in the warehouse and estimated lease obligations net of estimated sublease revenue. The Company later revised this estimate to \$0.9 million in the fourth quarter of 1996 principally to reflect additional costs associated with moving the warehouse function and the inability to secure a subtenant at favorable lease rates. During the third quarter of 1997, the Company again assessed the probability of subleasing the space at favorable rates and increased the provision for the warehouse relocation by \$0.1 million to a total of \$1.0 million. The provision for doubtful accounts in the first nine months of 1997 and 1996 of \$0.3 million and \$1.0 million, respectively, represented a change in estimate of collectibility following extensive communications with the respective customers regarding non-payment of invoices and conclusions or settlements reached during the period regarding ultimate collectibility. Additional reductions in selling, general and administrative expense are associated with the decreased business volume, the Company's divestiture of its Latin American operations and cost saving initiatives implemented in 1996 and 1997, including workforce reductions.

Research and development expense for the nine month period ended September 28, 1997 was \$0.1 million. The Company's manufacturing and engineering services businesses currently require low levels of research and development.

Interest expense for the three and nine month periods ended September 28, 1997 decreased \$0.9 million and \$1.6 million, respectively, from the comparable prior year periods. The Company's reduced level of operations has required a lower level of working capital and, therefore, reduced debt requirements. Additionally, on June 30, 1997 the Company utilized the proceeds from the sale of its Latin American operations to repay its debt with its principal lender. In connection with this repayment, the lender forfeited a portion of its warrants previously expensed by the Company, resulting in an additional reduction in interest expense amounting to \$0.1 million.

Other income during the three month period ended September 28, 1997 includes a gain on the sale of the Company's Latin American operations totaling \$3.2 million, which is more fully described in Note 3 of the Interim Consolidated Financial Statements of the Company.

Income tax expense for the nine month period ended September 28, 1997 and the three and nine month periods ended September 29, 1996, consists primarily of income taxes on earnings in foreign countries.

Liquidity and Capital Resources

Net cash used in operating activities was \$5.3 million for the first nine months of 1997. The Company's accounts receivable decreased by \$8.2 million during the first nine months of 1997 principally because of the lower level of revenue during 1997 compared to 1996 revenue amounts. While revenue declined during the first nine months of 1997, the Company's inventory increased by \$4.7 million because of purchases the Company made in order to fulfill certain future contractual requirements. The Company utilized the proceeds of the accounts receivable collections and the proceeds from the sale of its Latin American operations, in part, to reduce its accounts payable and accrued liabilities by \$5.4 million. While the Company has strengthened its working capital and improved the timeliness of its accounts payable payments, it continues to maintain extended payment terms with its suppliers. The Company has long-term relationships with a majority of its suppliers and has been successful in maintaining reasonable credit terms with its supplier base.

Net cash provided by investing activities was \$17.4 million for the first nine months of 1997. The Company received \$18.0 million in connection with the sale of its Latin American operations. Of this amount, the Company expects to repay \$2.9 million to the buyer based upon the value of net assets of its Latin American operations at June 29, 1997, subject to final determination in accordance with the purchase and sale agreement. Capital expenditures for the first nine months of 1997 amounted to \$0.6 million. Current commitments for capital expenditures for the remainder of 1997 are approximately \$0.3 million.

Net cash used in financing activities was \$8.7 million for the first nine months of 1997. The financing activities were comprised of proceeds from the issuance of the Company's Preferred Stock of \$2.5 million off-set by repayments of debt of \$11.2 million. On June 30, 1997, the Company utilized the proceeds from the sale of its Latin American operations to repay all amounts outstanding under the Credit Agreement with its primary lender and terminated the Credit Agreement.

In connection with execution of the Credit Agreement in the first quarter of 1996, the Parent invested \$1.0 million in the Company in exchange for 374,531 shares of the Company's Common Stock. The Company also issued warrants to the bank for purchase of 1,200,000 shares of the Company's Common Stock for \$.01 per share. Of the 1,200,000 warrants, 200,000 became exercisable at closing and 125,000 became exercisable on March 31, 1997. As a result of the Company repaying all amounts payable under the Credit Agreement on June 30, 1997, the bank forfeited the remaining 875,000 warrants.

In connection with a March 28, 1997 amendment to the Credit Agreement, the Parent invested \$2.5 million in the Company in exchange for 250,000 shares of Preferred Stock. The Preferred Stock pays quarterly dividends of 8.5% per annum and is redeemable at the option of the holder upon repayment by the Company of all of its outstanding Credit Agreement indebtedness. The Preferred Stock is also convertible and each share may be exchanged for 8.1 shares of the Company's Common Stock.

The Parent is currently negotiating an amendment to an existing credit agreement between certain of its subsidiaries and a bank. Upon the satisfaction of certain conditions, the Company will become a party to the amended credit agreement. Under the proposed amended terms of the agreement, borrowings may be used for general corporate purposes of the Company. The transfer of funds between the Company and the Parent will be based upon the cash requirements of the Company and the availability of borrowings provided by the amended credit agreement. The Company believes that sufficient resources, including resources to be provided by this potential financing and resources expected to be provided by operations (with consideration given to the estimated modest revenue growth as previously discussed), will be available to meet its cash requirements through the next twelve months. If such resources otherwise prove insufficient to provide the Company with adequate funding for its working capital, management will undertake actions to mitigate the effect of such deficiencies. Such actions could consist of financing initiatives, potential asset sales, and other actions relative to maximizing the liquidity of the Company's financial resources. Cash requirements for periods beyond the next twelve months depend on the Company's profitability, its ability to manage working capital requirements and its growth rate.

Part II Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits listed on the Exhibit Index on page 14 of this Form 10-Q are filed as a part of this report.

(b) Reports on Form 8-K

The Company filed one report on Form 8-K dated July 15, 1997 which reported the sale of the Company's Latin American operations and which reported certain pro forma financial information relative to the sale.

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.

GROUP TECHNOLOGIES CORPORATION
(Registrant)

Date: November 12, 1997

By:/s/ Thomas W. Lovelock
(Thomas W. Lovelock)
President & Chief Executive Officer

Date: November 12, 1997

By:/s/ David D. Johnson
(David D. Johnson)
Vice President & Chief Financial Officer

Exhibit Index

Exhibit

Number	Description
--------	-------------

11	Statement re: computation of per share earnings
27	Financial data schedule (for SEC use only)

STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE
GROUP TECHNOLOGIES CORPORATION

Primary Earnings Per Share

	Three Months Ended		Nine Months Ended	
	September 28, 1997	September 29, 1996	September 28, 1997	September 29, 1996
	-----	-----	-----	-----
Weighted average shares outstanding	16,220,629	16,220,629	16,220,629	16,135,468
Net effect of dilutive stock options (based on treasury method)	664,791	0	0	0
	-----	-----	-----	-----
Total	16,885,420	16,220,629	16,220,629	16,135,468
	=====	=====	=====	=====
Net income (loss)	\$1,032,000	\$ (2,818,000)	\$ (3,584,000)	\$ (2,755,000)
Net income (loss) per share	\$0.06	\$ (0.17)	\$ (0.22)	\$ (0.17)

Fully Diluted Earnings Per Share

	Three Months Ended		Nine Months Ended	
	September 28, 1997	September 29, 1996	September 28, 1997	September 29, 1996
	-----	-----	-----	-----
Weighted average shares outstanding	16,220,629	16,220,629	16,220,629	16,135,468
Net effect of dilutive stock options (based on treasury method)	1,309,867	0	0	0
	-----	-----	-----	-----
Total	17,530,496	16,220,629	16,220,629	16,135,468
	=====	=====	=====	=====
Net income (loss)	\$1,032,000	\$ (2,818,000)	\$ (3,584,000)	\$ (2,755,000)
Net income (loss) per share	\$0.06	\$ (0.17)	\$ (0.22)	\$ (0.17)

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED BALANCE SHEET AT SEPTEMBER 28, 1997 AND THE CONSOLIDATED STATEMENT
OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 29, 1997 AND IS QUALIFIED IN
ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		DEC-31-1997
<PERIOD-START>		JAN-01-1997
<PERIOD-END>		SEP-28-1997
<CASH>		4,070
<SECURITIES>		0
<RECEIVABLES>		11,715
<ALLOWANCES>		1,570
<INVENTORY>		20,780
<CURRENT-ASSETS>		36,369
<PP&E>		28,940
<DEPRECIATION>		20,463
<TOTAL-ASSETS>		44,886
<CURRENT-LIABILITIES>		26,449
<BONDS>		0
<PREFERRED-MANDATORY>		2,500
<PREFERRED>		0
<COMMON>		24,955
<OTHER-SE>		(9,018)
<TOTAL-LIABILITY-AND-EQUITY>		44,886
<SALES>		84,452
<TOTAL-REVENUES>		84,452
<CGS>		85,173
<TOTAL-COSTS>		85,173
<OTHER-EXPENSES>		(3,461)
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		1,087
<INCOME-PRETAX>		(3,432)
<INCOME-TAX>		152
<INCOME-CONTINUING>		(3,584)
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(3,584)
<EPS-PRIMARY>		(0.22)
<EPS-DILUTED>		(0.22)