SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-3295

KOSS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

A DELAWARE CORPORATION	39-1168275
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4129 North Port Washington Avenue, Milwaukee, Wisconsin	53212
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (414) 964-5000

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 ___

At March 31, 1999, there were 2,956,419 shares outstanding of the Registrant's common stock, $0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
March 31, 1999

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KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1999 (Unaudited)	June 30, 1998 (*)
ASSETS		
Current Assets:		
Cash	$ 639,583	$ 14,778
Accounts receivable	8,013,459	8,387,839
Inventories	14,673,691	19,486,058
Income taxes receivable	361,441	--
Other current assets	1,014,000	1,104,838
Total current assets	24,702,174	28,993,513
Property and Equipment, net	1,805,140	2,062,531
Intangible and Other Assets	1,204,183	972,725
	$27,711,497	$32,028,769
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 560,400	$ 1,956,877
Accrued liabilities	1,268,002	1,314,701
Income taxes payable	--	677,527
Total current liabilities	1,828,402	3,949,105
Long-Term Debt	--	2,746,000
Deferred Compensation and Other Liabilities	1,338,814	1,252,504
Contingently Redeemable Equity Interest	1,490,000	1,490,000
Stockholders' Investment	23,054,281	22,591,160
	$27,711,497	$32,028,769

* The balance sheet at June 30, 1998 has been prepared from the audited financial statements at that date.

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months		Nine Months	
Period Ended March 31	1999	1998	1999	1998
Net sales	$ 7,679,636	$ 8,089,590	$25,097,558	$30,222,866
Cost of goods sold	4,607,716	5,571,898	14,718,094	19,970,576
Gross profit	3,071,920	2,517,692	10,379,464	10,252,290
Selling, general and administrative expense	1,857,875	1,718,331	5,964,629	5,999,461
Income from operations	1,214,045	799,361	4,414,835	4,252,829
Other income (expense)				
Royalty income	102,414	373,371	812,132	1,004,048
Interest income	12,319	45,219	17,675	55,234
Interest expense	(3,282)	(92,847)	(59,899)	(173,098)
Income before income tax provision	1,325,496	1,125,104	5,184,743	5,139,013
Provision for income taxes	519,338	463,496	2,053,509	1,991,546
Net income	$ 806,158	$ 661,608	$ 3,131,234	$ 3,147,467
Earnings per common share:				
Basic	$0.26	$0.21	$0.99	$0.96
Diluted	$0.26	$0.20	$0.98	$0.93
Dividends per common share	None	None	None	None

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended March 31	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,131,234	$ 3,147,467
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	611,783	594,371
Deferred compensation	86,310	86,310
Net changes in operating assets and liabilities	2,544,001	(4,781,669)
Net cash provided by (used in) operating activities	6,373,328	(953,521)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(334,410)	(109,715)
Net cash used in investing activities	(334,410)	(109,715)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under line of credit agreements	(9,443,000)	(17,406,000)
Borrowings under line of credit agreements	6,697,000	22,521,000
Purchase and retirement of common stock	(2,724,738)	(6,983,562)
Exercise of stock options	56,625	2,901,437
Net cash (used in) provided by financing activities	(5,414,113)	1,032,875
Net increase (decrease) in cash	624,805	(30,361)
Cash at beginning of year	14,778	32,551
Cash at end of period	$ 639,583	$ 2,190

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES
March 31, 1999
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements presented herein are based on interim amounts and are subject to audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1999 and for all periods presented have been made. The income from operations for the quarter ended March 31, 1999 is not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Registrant's June 30, 1998, Annual Report on Form 10-K.

2. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Basic earnings per share are computed based on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the quarters ending March 31, 1999 and 1998 were 3,091,447 and 3,201,644, respectively. For the nine months ended March 31, 1999 and 1998, weighted average number of common shares outstanding were 3,150,144 and 3,293,767, respectively. When dilutive, stock options are included as share equivalents using the treasury stock method. Common stock equivalents of 42,801 and 39,958 related to stock option grants were included in the computation of the average number of shares outstanding for diluted earnings per share for the quarters ended March 31, 1999 and 1998, respectively. Common stock equivalents of 38,765 and 78,426 related to stock option grants were included in the computation of the average number of shares outstanding for diluted earnings per share for the nine months ended March 31, 1999 and 1998, respectively.

3. INVENTORIES

The classification of inventories is as follows:

	March 31, 1999	June 30, 1998
Raw materials and work in process	$ 4,945,968	$6,700,168
Finished goods	10,188,890	13,247,057
	15,134,858	19,947,225
LIFO Reserve	(461,167)	(461,167)
	$14,673,691	$19,486,058

4. STOCK PURCHASE AGREEMENT

The Company has an agreement with its Chairman to repurchase stock from his estate in the event of his death. The repurchase price is 95% of the fair market value of the common stock on the date that notice to repurchase is provided to the Company. The total number of shares to be repurchased shall be sufficient to provide proceeds which are the lesser of $2,500,000 or the amount of estate taxes and administrative expenses incurred by his estate. The Company is obligated to pay in cash 25% of the total amount due and to execute a promissory note at the prime rate of interest for the balance. The Company maintains a $1,150,000 life insurance policy to fund a substantial portion of this obligation. At March 31, 1999 and June 30, 1998, $1,490,000 has been classified as a Contingently Redeemable Equity Interest reflecting the estimated obligation in the event of execution of the agreement.

5. DEFERRED COMPENSATION

In 1991, the Board of Directors agreed to continue John C. Koss' current base salary in the event he becomes disabled prior to age 70. After age 70, Mr. Koss shall receive his current base salary for the remainder of his life, whether or not he becomes disabled. The Company is currently recognizing an annual expense of $115,080 in connection with this agreement, which represents the present value of the anticipated future payments. At March 31, 1999 and June 30, 1998, respectively, the related liabilities in the amounts of $852,690 and $766,380 have been included in deferred compensation on the accompanying balance sheets.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
March 31, 1999
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash generated by operating activities during the nine months ended March 31, 1999 amounted to $6,373,328. Working capital was $22,873,772 at March 31, 1999, a decrease of $2,170,636 from the balance at June 30, 1998. The decrease in working capital is primarily attributable to the net effect of decreases in inventory and accounts payable. The cash necessary to fund the Company's operating activities fluctuates from time to time; however, as a general rule, the Company expects to generate adequate amounts of cash to meet future operating needs. The Company maintains sufficient borrowing capacity to fund any shortfall.

Capital expenditures for new property and equipment (including production tooling) were $334,410 for the nine months. For the fiscal year ending June 30, 1999, the Company expects its capital expenditures to be approximately $1,100,000. The Company expects to generate sufficient operating funds to fulfill these expenditures.

Stockholders' investment increased to $23,054,281 at March 31, 1999, from $22,591,160 at June 30, 1998. The increase reflects the net effect of income, shares purchased and retired, and stock options exercised.

The Company amended its existing credit facility in April 1999, extending the maturity date of the unsecured line of credit to November 1, 2000. This credit facility provides for borrowings up to a maximum of $10,000,000. The Company can use this credit facility for working capital purposes or for the purchase of its own stock pursuant to the Company's stock repurchase program. The increase in this credit facility from $8,000,000 to $10,000,000 is the result of combining the Company's $8,000,000 working capital credit facility with the Company's $2,000,000 stock repurchase credit facility. Borrowings under this credit facility bear interest at the bank's prime rate, or LIBOR plus 1.75%. This credit facility includes certain financial covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage, and leverage ratios. There was no utilization of this credit facility at March 31, 1999. Utilization of this credit facility as of June 30, 1998 was $2,746,000. The decrease as of March 31, 1999 is the result of decreased inventory purchases.

In April 1999, the Board of Directors authorized an additional $5,000,000 to be used for purchasing the Company's common stock for its own account, increasing the total cumulative net amount of the Company's stock repurchase program to $15,000,000. The Company intends to effectuate all stock purchases either on the open market or through one or more privately negotiated transactions, and intends to finance all stock purchases through its own cash flow or by borrowing for such purchases under the credit facility discussed above. For the quarter and nine months ended March 31, 1999, the Company purchased 227,100 shares of its common stock for $2,724,738.

From the commencement of the Company's stock repurchase program in June of 1995 through March 31, 1999, the Company has purchased and retired a total of 1,118,448 shares at a total gross purchase price of $11,833,315 (representing an average gross purchase price of $10.58 per share) and a total net purchase price of $9,210,415 (representing an average net purchase price of $6.34 per share). The difference between the total gross purchase price and the total net purchase price reflects the savings to the Company as a result of repurchasing certain shares from employees who acquired Company stock pursuant to the Company's stock option program.

The Company also has an Employee Stock Ownership Plan and Trust ("ESOP") under which shares of Company stock are purchased by the ESOP for allocation to the accounts of ESOP participants. For the quarter ended March 31, 1999, the ESOP did not purchase any shares of its common stock for allocation to the ESOP.

Results of Operations

Net sales for the third quarter ended March 31, 1999 fell 5% to $7,679,636 from $8,089,590 for the same period in 1998. Net sales for the nine months ended March 31, 1999 were $25,097,558, down 17% compared with $30,222,866 during the same nine months one year ago. This decrease was primarily a result of the Company's decision to withdraw from the speaker business.

Gross profit as a percent of net sales was 40% for the quarter ended March 31, 1999 compared with 31% for the same period in the prior year. For the nine month period ended March 31, 1999, the gross profit percentage was 41% compared with 34% for the same period in 1998. Shifts in product mix and the Company's decision to withdraw from the speaker business resulted in the increase in gross profit for the nine month period as compared to last year.

Selling, general and administrative expenses for the quarter ended March 31, 1999 were $1,857,875 or 24% of net sales, as against $1,718,331 or 21% of net sales for the same period in 1998. For the nine month period ended March 31, 1999, such expenses were $5,964,629 or 24% of net sales, as against $5,999,461 or 20% of net sales for the same period in 1998.

For the third quarter ended March 31, 1999, income from operations was $1,214,045 versus $799,361 for the same period in the prior year. Income from operations for the nine months ended March 31, 1999 was $4,414,835 as compared to $4,252,829 for the same period in 1998. The increase is primarily related to the increase in gross margin.

Interest expense amounted to $3,282 for the quarter as compared to $92,847 for the same period in the prior year. For the nine month period, the interest expense amounted to $59,899 compared with $173,098 for the same period in the prior year. The decrease is a result of the Company borrowing at much lower levels as compared to the same periods last year.

The Company has a License Agreement with Jiangsu Electronics Industries Limited ("Jiangsu"), a subsidiary of Orient Power Holdings Limited, by way of an assignment of a previously existing License Agreement with Trabelco N.V. Orient Power is based in Hong Kong and has an extensive portfolio of audio and video products. This License Agreement covers North America, Central America, and South America. Pursuant to this License Agreement, Jiangsu has agreed to make royalty payments through December 31, 2000, subject to certain minimum royalty amounts due for the years 1998, 1999, and 2000. The products covered by this License Agreement include various consumer electronics products. This License Agreement is subject to renewal for additional 3 year periods.

The Company also had a License Agreement with Trabelco N.V. covering certain European countries. Although no sales were ever reported under this License Agreement, certain minimum royalties were due for calendar year 1998. This License Agreement expired on December 31, 1998.

Effective July 1, 1998, the Company entered into a License Agreement and an Addendum thereto with Logitech Electronics Inc. ("Logitech") of Ontario, Canada whereby the Company licensed to Logitech the right to sell multimedia/computer speakers under the Koss brand name. This License Agreement covers North America and certain countries in South America and Europe. This License Agreement extends for 5 years and includes a 5 year renewal option at the Company's discretion. This License Agreement requires royalty payments by Logitech through June 30, 2003, subject to certain minimum royalty amounts due each year.

Year 2000 Readiness Disclosure

The Company has implemented a comprehensive Year 2000 initiative to identify and address issues associated with the Year 2000. A team of internal staff is managing the initiative, along with the assistance of outside consultants.

The Company has completed the assessment phase of both its information technology and non-information technology systems associated with the Year 2000. The assessment indicated that several of the Company's systems would be vulnerable to Year 2000 issues. The Company is in the process of remedying the systems identified as vulnerable during the assessment phase.

The Company is also working with its significant suppliers and financial institutions to ascertain whether or not those parties have appropriate plans to remedy Year 2000 issues with their systems that may impact the Company's operations. The Company has communicated in writing, a Year 2000 compliance letter and survey, to all our customers doing over $10,000 annually in sales, along with all significant suppliers and vendors. The Company does not anticipate any adverse material effects due to its ability to deliver product to customers.

The Company's Year 2000 initiative is under way, and is expected to be completed prior to December 31, 1999. The Company has not identified a need to develop an extensive contingency plan for non-remedied issues. In the event of any adverse conditions caused by unforeseen Year 2000 issues, the Company will devote the necessary resources to resolve any significant Year 2000 issues in a timely manner.

The Company's assessments to date indicate the cost of the Year 2000 initiative is estimated to be $80,000.

The cost of the project and the date the Company believes it will be complete are forward-looking statements and are based on the Company's best estimates. Factors that may cause the actual results to differ include the availability and retention of skilled professionals, and the ability to identify all Year 2000 issues.

PART II OTHER INFORMATION

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits Filed 27
Financial Data Schedule

(b) Reports on Form 8-K
There were no reports on Form 8-K filed by the Company during the period covered by this report.

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

KOSS CORPORATION

Dated: ----------	/s/ Michael J. Koss ------------------- Michael J. Koss, President, Chief Executive Officer, Chief Financial Officer
Dated: ----------	/s/ Sue Sachdeva ---------------- Sue Sachdeva Vice President--Finance

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JUL-01-1998
MAR-31-1999
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