

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[Mark One]

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

For the quarterly period ended: July 31, 1996

OR

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

For the transition from _____ to _____

Commission File number: 0-13063

AUTOTOTE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

81-0422894

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

750 Lexington Avenue, New York, New York 10022

(Address of principal executive offices)
(Zip Code)

(212)-754-2233

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
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 No
--- ---

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes
of common stock as of August 28, 1996:

Class A Common Stock: 31,473,624
Class B Common Stock: None

AUTOTOTE CORPORATION AND SUBSIDIARIES
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AND OTHER INFORMATION

QUARTER ENDED JULY 31, 1996

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AUTOTOTE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	JULY 31, 1996	OCTOBER 31, 1995
ASSETS	----- (UNAUDITED)	
Current assets:		
Cash and cash equivalents.....	\$ 4,157	4,991
Restricted cash.....	660	1,282
Accounts receivable, net.....	17,843	21,700
Inventories.....	7,220	12,497
Unbilled receivables.....	7,997	4,166
Prepaid expenses, deposits and other current assets.....	5,362	3,121
	-----	-----
Total current assets.....	43,239	47,757
	-----	-----
Property and equipment, at cost.....	189,978	186,005
Less accumulated depreciation.....	85,267	67,745
	-----	-----
Net property and equipment.....	104,711	118,260
	-----	-----
Goodwill, net of amortization.....	23,197	26,986
Operating right, net of amortization.....	17,098	17,848
Other assets and investments.....	24,755	30,170
	-----	-----
	\$ 213,000	241,021
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current installments of long-term debt.....	\$ 25,148	10,772
Accounts payable.....	15,679	16,448
Accrued liabilities.....	20,620	23,783
Income taxes payable.....	1,655	1,878
	-----	-----
Total current liabilities.....	63,102	52,881
	-----	-----
Deferred income taxes.....	7,011	5,807
Accrued litigation settlement.....	4,250	--
Long-term debt, excluding current installments.....	109,912	126,492
Long-term debt, convertible subordinated debentures.....	40,000	40,000
Other long-term liabilities.....	1,992	3,984
	-----	-----
Total liabilities.....	226,267	229,164
	-----	-----
Stockholders' equity (deficit):		
Preferred stock, par value \$1.00 per share, 2,000 shares authorized, none outstanding.....	--	--
Class A common stock, par value \$0.01 per share, 99,300 shares authorized, 31,474 and 30,528 shares outstanding at July 31, 1996 and October 31, 1995, respectively.....	315	306
Class B non-voting common stock, par value \$0.01 per share, 700 shares authorized, none outstanding.....	--	--
Additional paid-in capital.....	143,321	140,050
Accumulated deficit.....	(156,968)	(129,469)
Treasury stock, at cost.....	(102)	(295)
Translation adjustment.....	167	1,265
	-----	-----
Total stockholders' equity (deficit).....	(13,267)	11,857
	-----	-----
	\$ 213,000	241,021
	=====	=====

See accompanying notes to consolidated financial statements.

AUTOTOTE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED JULY 31, 1996 AND 1995
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED JULY 31, 1996	THREE MONTHS ENDED JULY 31, 1995
	-----	-----
Operating revenues:		
Wagering systems.....	\$ 34,470	34,730
Wagering equipment and other sales.....	7,358	3,992
	-----	-----
	41,828	38,722
	-----	-----
Operating expenses (exclusive of depreciation and amortization):		
Wagering systems.....	21,020	20,206
Wagering equipment and other sales.....	4,867	4,746
	-----	-----
	25,887	24,952
	-----	-----
Total gross profit.....	15,941	13,770
	-----	-----
Selling, general and administrative expenses.....	8,638	9,622
Restructuring.....	(649)	11,601
Write-off of investments and other.....	--	6,640
Depreciation and amortization.....	11,124	8,925
	-----	-----
Operating loss.....	(3,172)	(23,018)
	-----	-----
Other deductions (income):		
Interest expense.....	3,667	5,549
Other deductions (income) net.....	629	(4)
	-----	-----
	4,296	5,545
	-----	-----
Loss before income tax expense	(7,468)	(28,563)
Income tax expense	336	683
	-----	-----
Net loss.....	\$ (7,804)	(29,246)
	=====	=====
Net loss per common share.....	\$ (.25)	(1.01)
	=====	=====
Weighted average number of common shares outstanding.....	31,459	28,928
	=====	=====

See accompanying notes to consolidated financial statements.

AUTOTOTE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Nine Months Ended July 31, 1996 And 1995
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Nine Months Ended July 31, 1996	Nine Months Ended July 31, 1995
	-----	-----
Operating revenues:		
Wagering systems.....	\$ 99,444	96,129
Wagering equipment and other sales.....	31,431	10,842
	-----	-----
	130,875	106,971
	-----	-----
Operating expenses (exclusive of depreciation and amortization):		
Wagering systems.....	62,091	56,177
Wagering equipment and other sales.....	21,007	9,190
	-----	-----
	83,098	65,367
	-----	-----
Total gross profit.....	47,777	41,604
	-----	-----
Selling, general and administrative expenses.....	25,186	27,226
Restructuring.....	(649)	11,601
Write-off of investments and other.....	--	6,640
Depreciation and amortization.....	30,118	25,423
	-----	-----
Operating loss.....	(6,878)	(29,286)
	-----	-----
Other deductions:		
Interest expense.....	10,999	12,706
Litigation settlement.....	6,800	--
Other deductions.....	772	141
	-----	-----
	18,571	12,847
	-----	-----
Loss before income tax expense.....	(25,449)	(42,133)
Income tax expense.....	2,050	2,002
	-----	-----
Net loss.....	\$ (27,499)	(44,135)
	=====	=====
Net loss per common share.....	\$ (.88)	(1.53)
	=====	=====
Weighted average number of common shares outstanding.....	31,246	28,884
	=====	=====

See accompanying notes to consolidated financial statements.

AUTOTOTE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended July 31, 1996 And 1995
(In Thousands)
(Unaudited)

	NINE MONTHS ENDED JULY 31, 1996	NINE MONTHS ENDED JULY 31, 1995
	-----	-----
Cash flows from operating activities:		
Net loss.....	\$ (27,499)	(44,135)
	-----	-----
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization.....	30,118	25,423
Write-off of financing fees & expenses.....	--	321
Restructuring.....	(649)	11,478
Write-off of investments and other.....	--	6,640
Litigation settlement, net of cash payments.....	4,250	--
Loss on sale of assets.....	446	302
Non-cash interest charges.....	636	--
Change in deferred income taxes.....	355	2,259
Changes in operating assets and liabilities, net of effects of acquisitions...	470	2,657
Other.....	1,274	958
	-----	-----
Total adjustments.....	36,900	50,038
	-----	-----
Net cash provided by operating activities.....	9,401	5,903
	-----	-----
Cash flows from investing activities:		
Capital expenditures.....	(1,935)	(8,861)
Expenditures for equipment under wagering systems contracts.....	(5,797)	(9,588)
Proceeds from asset disposals.....	1,026	684
Increase in other assets and other liabilities.....	(1,819)	(5,403)
Purchase of companies, net of cash acquired.....	--	(15,996)
	-----	-----
Net cash used in investing activities.....	(8,525)	(39,164)
	-----	-----
Cash flows from financing activities:		
Net borrowings under revolving credit facility.....	2,260	33,600
Proceeds from issuance of long-term debt.....	2,168	1,332
Payments on long-term debt.....	(6,234)	(1,205)
Net proceeds from issuance of common stock.....	--	205
	-----	-----
Net cash provided (used) by financing activities.....	(1,806)	33,932
	-----	-----
Effect of exchange rate changes on cash.....	96	1,165
	-----	-----
Increase/(Decrease) in cash and cash equivalents.....	(834)	1,836
Cash and cash equivalents, beginning of period.....	4,991	6,110
	-----	-----
Cash and cash equivalents, end of period.....	\$ 4,157	7,946
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest.....	\$ 10,232	9,817
	=====	=====
Income taxes.....	\$ 1,201	311
	=====	=====

See accompanying notes to consolidated financial statements.

AUTOTOTE CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JULY 31, 1996
 (UNAUDITED)

1) CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of July 31, 1996 and the consolidated statements of operations for the three months and nine months ended July 31, 1996 and 1995, and consolidated statements of cash flows for the nine months then ended have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position of the Company at July 31, 1996, and the results of its operations for the three and nine months ended July 31, 1996 and 1995, and its cash flows for the nine months ended July 31, 1996 and 1995 have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 1995 Annual Report on Form 10-K. The results of operations for the periods ended July 31, 1996 are not necessarily indicative of the operating results for the full year.

Certain items in the prior year's financial statements have been reclassified to conform with the current year presentation.

2) UNUSUAL ITEMS

The third quarter 1996 consolidated statement of operations includes charges in other deductions of \$647,000 for costs incurred in connection with the Company's unsuccessful third quarter 1996 debt offering, and charges in selling, general and administrative expense of \$569,000 for contractual payments related to the departure of the President of the Company. Partially offsetting these costs is the reversal of \$649,000 of 1995 restructuring cost accruals because of the Company's current plan to continue limited manufacturing of wagering terminals at its Ireland plant.

3) INVENTORIES

Inventories consist of the following:

	JULY 31, 1996	OCTOBER 31, 1995
----- (IN THOUSANDS)		
Parts.....	\$ 3,171	4,667
Work-in-process.....	1,557	4,724
Finished goods.....	1,791	2,541
	-----	-----
	6,519	11,932
Ticket paper.....	701	565
	-----	-----
Total.....	\$ 7,220	12,497
	=====	=====

Work-in-process includes costs for equipment expected to be sold. Costs incurred for equipment associated with specific wagering system contracts not yet placed in service are classified as construction in progress in property and equipment.

4) DEBT

On January 26, 1996, the Company entered into an Amended and Restated Credit Agreement (the "Amended and Restated Senior Bank Credit Facility") with lenders (the "Lenders") to the Company's previous senior bank credit facility pursuant to which current commitments of each Lender under the previous senior bank credit facility, totaling \$135 million, were continued as the Amended and Restated Senior Bank Credit Facility. This facility provides for: 1) a \$55 million term loan (the "A Term Loan"), 2) a \$5 million term loan (the "B Term Loan"), and 3) a \$75 million revolving credit facility (the "Revolver"), which includes a \$25 million sublimit for letters of credit, and contains various financial and other covenants. See Note 10 to the Consolidated Financial Statements for the year ended October 31, 1995 included in the Company's 1995 Annual Report on Form 10-K.

AUTOTOTE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
JULY 31, 1996
(UNAUDITED)

In March 1996, the Company entered into a First Amendment and Consent (the "Amendment") to the Amended and Restated Senior Bank Credit Facility. The Amendment permitted the settlement of the shareholder litigation and payment of the Company's \$1.0 million obligation in connection therewith as set forth in Note 6 below and, accordingly, adjusted certain financial covenants and deferred an aggregate of \$1.0 million of A Term Loan and B Term Loan payments scheduled for April 30, 1996 until July 31, 1996.

Through July 31, 1996, the Company made scheduled payments of \$4.5 million on the A and B Term Loans.

As of July 31, 1996, the Company had approximately \$0.2 million available for borrowing under its Revolver, with \$3.2 million in outstanding letters of credit and \$127.1 million in outstanding borrowings.

5) CAPITAL STOCK

In November 1995, the Company entered into an agreement with holders of its 5.5% Convertible Subordinated Debentures whereby the holders would receive unregistered shares of Class A Common Stock in lieu of cash for interest payments due in August 1995 and February 1996 in the amount of \$1,100,000 each. In November 1995, the Company issued 422,500 shares of Class A Common Stock in payment of the interest due in August 1995. In March 1996, the Company issued 513,869 shares of Class A Common Stock in payment of the interest due in February 1996.

On January 26, 1996, pursuant to the Amended and Restated Senior Bank Credit Facility, the Company issued to the Lenders warrants to purchase an aggregate of 525,000 shares of Class A Common Stock at an exercise price of \$1.25 per share. See Note 10 to the Consolidated Financial Statements for the year ended October 31, 1995 included in the Company's 1995 Annual Report on Form 10-K.

Effective April 15, 1996, the Company's Class A Common Stock began trading on the American Stock Exchange under the symbol TTE. Prior to this, the Company's Class A Common Stock traded on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System.

6) LITIGATION

The Company and certain of its officers and directors were named defendants in a number of lawsuits commenced in February 1995 as class actions in the United States District Court for the District of Delaware. These lawsuits were consolidated into one class action in June 1995 (the "Class Action"). On March 5, 1996, the parties to the Class Action reached an agreement in principle (the "Agreement in Principle") to settle all claims related to the Class Action without any admission of liability on the part of any defendant. The parties entered into a definitive Stipulation and Agreement of Settlement dated July 19, 1996 (the "Settlement Agreement") related to these claims.

Pursuant to the terms of the Settlement Agreement, the class will receive \$7.5 million in cash plus shares of Class A Common Stock to be issued by the Company having an aggregate value of between \$3.5 million and \$4.25 million, depending on the average price of the Company's Class A Common Stock for 10 trading days preceding a final hearing in the District Court. The number of shares of Class A Common Stock to be issued by the Company will be the lesser of (a) the number of shares which have an aggregate value of \$4.25 million or (b) 1,136,216 shares of Class A Common Stock plus (if the aggregate value of such 1,136,216 shares is less than \$3.5 million) such additional number of shares as shall be necessary to reach a total number of shares having a value of at least \$3.5 million, as determined by the average closing price of the Class A Common Stock over the aforesaid ten trading days. Insurance companies providing directors and officers insurance would contribute approximately \$6.5 million of the cash portion of the settlement (with \$1.25 million of that amount in the form of a loan to the Company, with the payment terms subject to negotiation). Of the anticipated settlement amount, \$1.0 million was placed by the Company into an escrow account during the second quarter of fiscal 1996, pending court approval of the Agreement in Principle. The terms of this Settlement Agreement modify the stock portion of the March 1996 Agreement in Principle under which the class would have received \$4.25 million of preferred stock instead of Class A Common Stock having a value of between \$3.5 million and \$4.25 million.

Based on the March 1996 Agreement in Principle, the Company accrued a charge of \$6.8 million against earnings for the quarter ended January 31, 1996 to reflect the then expected settlement and anticipated legal fees. The Company does not anticipate further charges against earnings as a result of the Settlement Agreement. The settlement of the suit is subject to the satisfaction of certain conditions, including an opportunity for class members to object to the settlement terms or ask not to be included in the class, as well as final court approval.

AUTOTOTE CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS
AND RESULTS OF OPERATIONS

The following discussion addresses the financial condition of the Company as of July 31, 1996 and the results of operations for the three and nine month periods ended July 31, 1996, compared to the same periods last year. This discussion should be read in conjunction with the Management's Discussion and Analysis section for the fiscal year ended October 31, 1995 ("fiscal 1995") included in the Company's 1995 Annual Report on Form 10-K.

For purposes of this discussion, the business segments of Pari-Mutuel/Sports Betting, Off-Track Betting and Simulcasting Services will be collectively referred to and analyzed under the caption "Pari-Mutuel Group". The Lottery Operations segment will be separately discussed and analyzed.

THREE MONTHS ENDED JULY 31, 1996 COMPARED TO THREE MONTHS ENDED JULY 31, 1995

	THIRD QUARTER FISCAL 1996			THIRD QUARTER FISCAL 1995		
	Pari-Mutuel Group	Lottery Operations	Total	Pari-Mutuel Group	Lottery Operations	Total
REVENUE:						
Wagering systems	\$30,182	4,288	34,470	29,555	5,175	34,730
Wagering equipment and other sales	2,849	4,509	7,358	3,773	219	3,992
Total Revenue	\$33,031	8,797	41,828	33,328	5,394	38,722
GROSS MARGIN (excluding depreciation and amortization)	\$13,031	2,910	15,941	10,856	2,914	13,770

REVENUE ANALYSIS

Revenues increased 8% or \$3.1 million to \$41.8 million in the third quarter of the fiscal year ended October 31, 1996 from \$38.7 million in the third quarter of the fiscal year ended October 31, 1995.

The Pari-Mutuel Group's wagering systems revenues of \$33.0 million for the third quarter of fiscal 1996 remained comparable to the prior year. Wagering equipment sales in the third quarter of fiscal 1996 decreased \$0.9 million or 24% compared to the third quarter of fiscal 1995, primarily reflecting a shift in sales from pari-mutuel terminals to lottery terminals.

Lottery Operations wagering systems revenues decreased \$0.9 million during the third quarter of fiscal 1996 from \$5.2 million to \$4.3 million primarily because of the shift from service revenues to equipment sales revenues under the German lottery contract. Wagering equipment sales improved significantly in the third quarter of fiscal 1996 to \$4.5 million from \$2 million in fiscal 1995. This improvement is attributable to the continued delivery of systems by the Company to several German lottery contract sites, as well as the delivery of additional terminals and parts to EIS for sale to Italy's TOTIP pari-mutuel lottery pool.

GROSS PROFIT ANALYSIS

The total gross margin of \$15.9 million for the third quarter of fiscal 1996 improved \$2.1 million, or 16% compared to the third quarter of fiscal 1995, principally reflecting improved margins on both service revenue and equipment sales. Gross margins on equipment sales were 34% in the quarter, an improvement from the margins of 28% earned in the second quarter of fiscal 1996 as a result of a change in the mix of equipment being sold; gross margins on services remained stable at approximately 39% for the quarter, up slightly compared to margins of 37% earned in each of the prior two quarters in fiscal 1996, and comparable to margins earned in the third quarter of fiscal 1995.

AUTOTOTE CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS
AND RESULTS OF OPERATIONS - (CONTINUED)

EXPENSE ANALYSIS

Selling, general and administrative expenses include marketing, sales, administrative, engineering and software development, finance, legal and other expenses. Selling, general and administrative expenses decreased \$1.0 million or 10% to \$8.6 million in the third quarter of fiscal 1996 from \$9.6 million in the third quarter of fiscal 1995 primarily reflecting expense reductions resulting from fiscal 1995 restructuring activities and other cost reduction programs, partially offset by \$.6 million of contractual payments relating to the departure of the President of the Company.

Restructuring costs reflect a credit of \$.6 million in the third quarter of fiscal 1996 due to the reversal of costs previously accrued in connection with the Company's closure of its Ireland manufacturing plant. Based on the Company's initial decision to close the plant, plant operations and personnel were significantly curtailed. However, the Company subsequently received sufficient orders for terminals to support continued manufacturing at the facility at the currently scaled back level of operations. Therefore, severance reserves and other accrued costs pertaining to the complete shut-down of the plant have been reversed.

Depreciation and amortization expenses increased 24.6% to \$11.1 million in the third quarter of 1996 compared to \$8.9 million in the third quarter of fiscal 1995. The increase was primarily due to capital additions for North America's pari-mutuel video gaming operations, new terminals and software installed at the Connecticut State Lottery and investment in UNIBET software.

Interest expense decreased \$1.9 million or 34% to \$3.7 million in the third quarter of 1996 primarily as a result of expensing \$1.7 million of bank waiver and amendment fees in the third quarter of fiscal 1995. Excluding the effect of the fiscal 1995 bank waiver and amendment fees, interest rate declines during the quarter were offset by increased amortization of additional deferred financing fees attributed to the fiscal 1996 debt amendment.

Other expense deductions increased \$.6 million in the third quarter of fiscal 1996 as a result of costs incurred in connection with the Company's unsuccessful debt offering.

INCOME TAXES

Income tax expense was \$.3 million in the 1996 period as compared to an expense of \$.7 million in the 1995 period. Income tax expense principally reflects foreign tax expense, since no tax benefit has been recognized on domestic operating losses.

NINE MONTHS ENDED JULY 31, 1996 COMPARED TO NINE MONTHS ENDED JULY 31, 1995

	NINE MONTHS FISCAL 1996			NINE MONTHS FISCAL 1995		
	Pari-Mutuel Group	Lottery Operations	Total	Pari-Mutuel Group	Lottery Operations	Total
REVENUE:						
Wagering systems	\$85,270	14,174	99,444	81,104	15,025	96,129
Wagering equipment and other sales	7,396	24,035	31,431	8,575	2,267	10,842
Total Revenue	\$92,666	38,209	130,875	89,679	17,292	106,971
GROSS MARGIN (excluding depreciation and amortization)	\$35,945	11,832	47,777	32,255	9,349	41,604

REVENUE ANALYSIS

Revenues increased 22% or \$23.9 million to \$130.9 million in the nine months ended July 31, 1996 from \$107.0 million in the nine months ended July 31, 1995.

AUTOTOTE CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS
AND RESULTS OF OPERATIONS - (CONTINUED)

The Pari-Mutuel Group's wagering systems revenues of \$85.3 million for the nine months ended July 31, 1996 improved \$4.2 million or 5% compared to the prior year principally because of the growth in handle at Connecticut OTB attributable to the opening of the Sports Haven simulcast/multi-entertainment facility in April 1995, coupled with higher revenues from the sale of transponder time. Wagering equipment sales declined \$1.2 million to \$7.4 million for the nine months ended July 31, 1996 reflecting the decrease in international equipment sales during the third quarter of fiscal 1996.

Lottery Operations wagering systems revenues of \$14.2 million were down \$.9 million or 6% for the nine months ended July 31, 1996 because of the change in the revenue mix from primarily service to sales as a result of the delivery of systems to several German lottery sites. Wagering equipment sales improved significantly in the nine months ended July 31, 1996 to \$24.0 million from \$2.3 million in fiscal 1995. This improvement is attributable to the delivery of systems by the Company to several German lottery contract sites, as well as the delivery of terminals and parts to EIS for sale to Italy's TOTIP pari-mutuel lottery pool.

GROSS PROFIT ANALYSIS

The total gross margin of \$47.8 million for the nine months ended July 31, 1996 improved \$6.2 million, or 15% compared to the comparable period in fiscal 1995, principally reflecting delivery of systems by the Company during the period, and the growth in handle at Connecticut OTB. Gross margins on equipment sales continued at 33% for the year, a significant improvement over fiscal 1995 gross margins. Gross margins on services remained stable at approximately 38% for the year, down approximately 10% from margins earned in fiscal 1995.

EXPENSE ANALYSIS

Selling, general and administrative expenses decreased \$2.0 million or 8% to \$25.2 million in the nine months ended July 31, 1996 from \$27.2 million in fiscal 1995. Expense reductions resulting from fiscal 1995 restructuring activities and other cost reduction programs were partially offset by increased expenses for legal compliance, litigation and compensation costs, and contractual costs relating to the departure of the President of the Company.

Depreciation and amortization expenses increased 19% to \$30.1 million in the nine months ended July 31, 1996 compared to \$25.4 million in fiscal 1995. The increase was primarily due to capital additions for North America's pari-mutuel video gaming operations, new terminals and software installed at the Connecticut State Lottery, investment in UNIBET software, the January 1995 acquisition of simulcasting assets, and the investment in the new Sports Haven/TM/ facility.

Interest expense decreased \$1.7 million or 13% to \$11.0 million in the nine months ended July 31, 1996 primarily reflecting the \$2.3 million of bank waiver and amendment fees expensed in fiscal 1995, partially offset by additional borrowings in fiscal 1996, plus increased amortization of additional deferred financing costs attributed to the fiscal 1996 debt amendment.

INCOME TAXES

Income tax expense was \$2.1 million in the 1996 period as compared to an expense of \$2.0 million in the 1995 period. Income tax expense principally reflects foreign tax expense, since no tax benefit has been recognized on domestic operating losses.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$9.4 million for the nine months ended July 31, 1996, of which \$11.2 million is attributed to current period operations. This amount was partially offset by the \$2.3 million of payments made under the terms of the litigation settlement discussed in Note 6 to the Consolidated Financial Statements above, and increased by \$0.5 million from changes in working capital. The working capital increase is attributable to a \$2.8 million improvement in accounts receivable collections and a \$5.0 million reduction of inventories, mostly offset by an increase in unbilled receivables and reductions of accounts payable and other current liabilities totaling \$7.5 million. At July 31, 1996, the Company had cash and cash equivalents of \$4.2 million as compared to \$5.0 million at October 31, 1995.

AUTOTOTE CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (CONTINUED)

Net cash used in investing activities was \$8.5 million for the nine months ended July 31, 1996. Utilizing cash provided by operating activities, the Company invested principally in contract expenditures and software systems development. Additionally, the Company received approximately \$1.0 million from the sale/leaseback of its administration and development facility in Newark, Delaware. The net proceeds from this transaction were used to reduce borrowings under the Company's previous senior bank credit facility.

Net cash used by financing activities consisted primarily of borrowings of \$5.0 million and repayments of \$2.7 million under the Revolver in addition to scheduled repayments of \$4.5 million on the Company's Amended and Restated Senior Bank Credit Facility term loans. Additionally, under an agreement with the holders of its 5.5% Convertible Subordinated Debentures, the Company issued 936,369 unregistered shares of Class A Common Stock during the first six months of fiscal 1996 in lieu of cash for interest payments.

As described in Note 4 to the Consolidated Financial Statements above, the Company had approximately \$0.2 million available to borrow under its Amended and Restated Senior Bank Credit Facility at July 31, 1996. The Company believes that its cash resources at that date and its forecasted cash flows from operations provide sufficient liquidity to meet scheduled payments and anticipated capital expenditures in the current fiscal year arising from current commitments. The Company believes that additional financing and/or asset sales will be required to meet its scheduled payments and capital requirements in subsequent fiscal years. The Company is currently exploring financing and asset sales alternatives while simultaneously developing programs to reduce its level of ongoing expenditures. The Company will be required to evaluate its capital outlays and commitments in light of the availability and timing of additional financing, which currently remains uncertain.

AUTOTOTE CORPORATION AND SUBSIDIARIES
QUARTER ENDED JULY 31, 1996

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A) The Company and certain of its officers and directors were named defendants in a number of lawsuits commenced in February 1995 as class actions in the United States District Court for the District of Delaware. These lawsuits were consolidated into one class action in June 1995 (the "Class Action"). On March 5, 1996, the parties to the Class Action reached an agreement in principle (the "Agreement in Principle") to settle all claims related to the Class Action without any admission of liability on the part of any defendant. The parties entered into a definitive Stipulation and Agreement of Settlement dated July 19, 1996 (the "Settlement Agreement") related to these claims.

Pursuant to the terms of the Settlement Agreement, the class will receive \$7.5 million in cash plus shares of Class A Common Stock to be issued by the Company having an aggregate value of between \$3.5 million and \$4.25 million, depending on the average price of the Company's Class A Common Stock for 10 trading days preceding a final hearing in the District Court. The number of shares of Class A Common Stock to be issued by the Company will be the lesser of (a) the number of shares which have an aggregate value of \$4.25 million or (b) 1,136,216 shares of Class A Common Stock plus (if the aggregate value of such 1,136,216 shares is less than \$3.5 million) such additional number of shares as shall be necessary to reach a total number of shares having a value of \$3.5 million, as determined by the average closing price of the Class A Common Stock over the aforesaid ten trading days. Insurance companies providing directors and officers insurance would contribute approximately \$6.5 million of the cash portion of the settlement (with \$1.25 million of that amount in the form of a loan to the Company, with the payment terms subject to negotiation). Of the anticipated settlement amount, \$1.0 million was placed by the Company into an escrow account during the second quarter of fiscal 1996, pending court approval of the Agreement in Principle. The terms of this Settlement Agreement modify the stock portion of the March 1996 Agreement in Principle under which the class would have received \$4.25 million of preferred stock instead of Class A Common Stock having a value of between \$3.5 million and \$4.25 million.

Based on the March 1996 Agreement in Principle, the Company accrued a charge of \$6.8 million against earnings for the quarter ended January 31, 1996 to reflect the then expected settlement and anticipated legal fees. The Company does not anticipate further charges against earnings as a result of the Settlement Agreement. The settlement of the suit is subject to the satisfaction of certain conditions, including an opportunity for class members to object to the settlement terms or ask not to be included in the class, as well as final court approval.

B) The Company and its Autotote Systems, Inc. subsidiary ("ASI") were defendants in an arbitration claim in Singapore by Multivest (PTE) Limited ("Multivest"). The claim, which sought damages in the amount of \$250 million for an alleged breach of contract by ASI in connection with a joint venture with Multivest, was dismissed on October 12, 1995, and Multivest was ordered to pay the Company US \$120,000 for costs and expenses incurred and Singapore \$62,235 as reimbursements for money paid by the company for expenses of the arbitration panel. On February 29, 1996, ASI was awarded approximately US \$772,000 on its counterclaim against Multivest. Because of current uncertainties about the collectability of the awards, the Company has not recorded such amounts in its financial statements.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
Exhibit 27 - Financial Data Schedule

(b) No reports on Form 8-K were filed during the third quarter of fiscal 1996.

AUTOTOTE CORPORATION AND SUBSIDIARIES
QUARTER ENDED JULY 31, 1996

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 duly authorized.

AUTOTOTE CORPORATION

(Registrant)

By: /s/ William Luke

Name: William Luke

Title: Vice President & Chief Financial Officer

Dated: August 30, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF AUTOTOTE CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS		
	OCT-31-1996	
	NOV-01-1995	
	JUL-31-1996	
		4,157
		0
		19,849
		2,006
		7,220
		43,239
		189,978
		85,267
		213,000
	63,102	40,000
	0	0
		315
		(13,582)
213,000		130,875
	130,875	83,098
		83,098
		62,227
		0
		10,999
		(25,449)
		2,050
	(27,499)	0
		0
		0
		0
		(27,499)
		(0.88)
		0