SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended: December 31, 1997

Commission file number: 0-7087

ASTRONICS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

New York	16-0959303
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1801 Elmwood Avenue
Buffalo, New York 14207

(Address of principal executive office)

Registrant's telephone number
including area code (716) 447-9013

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

$.01 par value Common Stock, $.01 par value Class B Stock
(Title of Class)

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 twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes _X_ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10K or any amendment to this Form 10K. (X)

EXHIBIT INDEX APPEARS ON PAGE 16

As of March 6, 1998, 4,322,874 shares of Common Stock and 711,387 shares of Class B Stock were outstanding, and the aggregate market value of the shares of Common Stock and Class B Stock (assuming conversion of all of the outstanding Class B Stock into Common Stock) of Astronics Corporation held by non-affiliates was approximately $35,373,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 1997 Annual Report to Shareholders are incorporated into Parts II and III of this Report. Portions of the Registrant's Proxy Statement for the 1998 Annual Meeting of Shareholders dated March 18, 1998 are incorporated by reference into Part III of this Report.

PART I

Item 1. BUSINESS

Profile

Astronics Corporation ("Astronics", "Company", or "Registrant"), a New York corporation formed in 1968, is a diversified company engaged principally in the design, manufacture and marketing of products and processes in two business segments: "Aerospace and Electronics" and "Specialty Packaging." Aerospace and Electronics is involved in the design, manufacture, and marketing of advanced technology products. Major applications include specialized lighting systems and ruggedized electro-mechanical assemblies. The Specialty Packaging segment is predominantly a direct marketing provider of proprietary designs of paperboard folding boxes and paper products.

Aerospace and Electronics

The Company's Aerospace and Electronics segment is involved in the design, manufacture, and sales of technically sophisticated systems and components for a variety of applications. Most of these applications are based on specialty lighting requirements. Approximately 20 percent of the segment's sales are defense-related and 27 percent of sales are international. The Company maintains a sales/engineering office in Belgium to support international relationships.

The Aerospace and Electronics segment operates manufacturing facilities in East Aurora, NY, and Lebanon, NH.

Electroluminescent Lamps: One of the Company's core technologies is designing and manufacturing electroluminescent (EL) lamps. EL is a phenomenon whereby phosphors, when sandwiched between two electrodes and exposed to alternating current, emit light. The resultant lamps are efficient, durable, thin, and flexible compared to other lighting technologies, and have become a preferred light source for many lighting applications in products as varied as automobiles, home light fixtures, and consumer electronics.

The Company also manufactures power conversion devices, commonly called "inverters," to power EL lamps. EL lamps are best driven by alternating current, but typically only direct current is available in the end use application. Our inverters convert DC power to AC, thereby providing power sufficient to drive EL lamps.

The Company has been involved in EL lighting for over 25 years, and has established itself as a leader in the industry. Moreover, its EL lighting expertise has been vital in helping it to establish certain of its other product lines. Still, the Company recognizes that no light source is ideal for all applications, and has therefore developed expertise in a number of other technologies as dictated by its business requirements, specifically, incandescent, light-emitting diodes, and cold

cathode fluorescence. These technologies are used selectively in the Company's various product lines, depending on what is most appropriate for each specific application.

Escape Path Lighting: The Company manufactures emergency escape lighting systems for use in aircraft, buildings, and trains. These systems are designed to help people find exits in case of crashes, fire, power outages, earthquakes, and other disasters. Customers are typically vehicle fleet operators, manufacturers, or third party contractors. Often, the use of these systems is dictated by governing laws and regulations.

The systems typically include a series of light elements, a case or mounting system to hold the light elements, and a network of logic controlled back-up battery systems to power the light elements. The systems are typically modular in nature, but require a significant amount of custom documentation to satisfy regulatory requirements for each installation.

Aircraft Cockpit Lighting: The Company is a major supplier and integrator of cockpit lighting systems for aircraft. The Company designs and manufactures integrally illuminated display panels and related assemblies, integrally illuminated keyboards, floodlights, ambient light sensors, and dimmable power supplies. Customers include aircraft manufacturers and avionics electronics manufacturers. There is a trend in the industry whereby aircraft manufacturers are seeking system suppliers rather than component manufacturers, and the company is uniquely positioned to respond to this trend.

Military Aircraft Formation Lights: The Company is the world's dominant supplier of EL formation lights for military aircraft. These lights are essentially EL lamps encapsulated in a protective shell material, which are then mounted to the outside skin of military aircraft. These lights provide visual cues to pilots who are flying in close formation to one another during night missions. Customers include military aircraft manufacturers and the government defense procuring activities who are responsible for maintaining military aircraft in their fleets. The Company's formation lights can be found on most modern western military aircraft.

Ruggedized Keyboards: The Company manufactures a wide range of input/output keyboards for ruggedized computer systems. These computer systems are often used in military applications, though not exclusively. In today's world of shrinking defense budgets, investments continue in battlefield command, control, and communication systems.

The Company's keyboards range from relatively simple mechanical devices to complex systems employing various display technologies, encoding topologies, and communication protocols. Customers are typically large, well-known defense electronics companies.

Specialty Packaging

Astronics' Specialty Packaging group designs, manufactures and markets standard and custom folding cartons, and presentation products. By possessing such design, manufacturing and marketing capabilities in-house, the Company provides optimum efficiency and quality while retaining a wide range of flexibility. This group delivers products to over 10,000 customers in more than 10 countries and is established , within its chosen markets, as a sole or preferred supplier for most of its customer base.

The Company also engages in high quality specialty imprinting of wedding and party invitations, monogrammed napkins, and related party accessories. These products are directly marketed primarily through catalogs which are located at stationery stores, printers, gift shops and specialty boutiques throughout the United States.

Competitive Conditions

Astronics experiences considerable competition in its segments, principally in the areas of product performance and price, from various competitors, many of which are substantially larger and have greater resources. Success in the Aerospace and Electronics segment depends upon product innovation, customer support, responsiveness, and cost management. Astronics continues to invest in developing the tools critical to competing in today's worldwide markets. Success in Specialty Packaging is dependent upon competitive pricing, innovative and responsive customer support and short lead time delivery performance. Astronics has invested and will continue to invest in state-of-the-art process and systems technology.

Raw Materials

Materials, supplies and components are available and purchased from a wide variety of sources, the loss of any one of which would not materially affect the Company's operations.

Patents

The Company has a number of patents and has filed numerous applications for others. While the aggregate protection of these patents is of value, Registrant does not consider that the successful conduct of any material part of its business is dependent upon the protection afforded by these patents. The Company's patents and patent applications relate to EL, instrument panels, keyboard technology and various components used in their manufacture. The Company regards its expertise and techniques as proprietary and relies upon trade secret laws and contractual arrangements to protect its rights.

Research Activities

The Company is engaged in a variety of research and development activities directed to the improvement and application of the Company's technologies. The extent of the Company's engagement in pure research, however, is not material.

Employees

The Registrant employed approximately 443 employees as of December 31, 1997, including 255 in the Aerospace and Electronics segment, 181 in the Specialty Packaging segment and 7 at the Corporate level, compared to 393 as of December 31, 1996, including 204 in the Aerospace and Electronics segment, 182 in the Specialty Packaging segment and 7 at the Corporate level as of that date. The Company considers its relations with its employees to be good.

Working Capital

Inventories constitute a major component of the Company's working capital, reflective of the production cycle on most of the Company's products and anticipated production required for the seasonal aspects of the Company's packaging products. A substantial portion of the business of the Specialty Packaging segment consists of proprietary designs of stock boxes used by the confectionery industry, which requires the Company to increase inventory at the beginning of its principal seasons.

Financial Information about Industry Segments

Sales, operating profit and identifiable assets attributable to each of the Registrant's industry segments for each of the last three years as of December 31, 1997 appear on page 18 of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1997, submitted herewith as an exhibit and incorporated by reference.

Order Backlog

The backlog of orders as of December 31, 1997 was approximately $10,807,000 ($9,686,000 related to the Aerospace and Electronics segment and $1,121,000 related to the Specialty Packaging segment), substantially all of which is expected to be filled in the current fiscal year. This compares to $10,106,000 ($8,784,000 related to the Aerospace and Electronics segment and $1,322,000 related to the Specialty Packaging segment) as of December 31, 1996.

Item 2. PROPERTIES

Corporate Headquarters

The Company's corporate office is located at 1801 Elmwood Avenue, Buffalo, NY 14207, the sight of the largest portion of the Specialty Packaging segment.

Aerospace and Electronics

Registrant owns manufacturing and office facilities of approximately 45,000 square feet in the Buffalo, New York area, and leases approximately 42,000 square feet in Lebanon, New Hampshire.

Specialty Packaging

Registrant owns buildings totaling approximately 437,000 square feet in the Buffalo, New York area for its manufacturing and office facilities. Currently, about 40 percent of the building space is under lease to others.

The Company believes that the physical properties of the Registrant are suitable and adequate for the purpose for which they are employed. Additions and expansions are made as needed. In general, the productive capacity of the Registrant's physical properties are in excess of current production requirements and greater utilization is available.

Item 3. LEGAL PROCEEDINGS

Rodgard Corporation, formerly a wholly-owned subsidiary of Astronics, and one of its former officers, Mason C. Winfield ("Plaintiffs"), instituted an action against Miner Enterprises, Inc. and David G. Anderson ("Defendants") on April 10, 1984, in the United States District Court of the Western District of New York, seeking damages for breaches of confidentiality agreements and seeking to be declared a co-inventor of a David G. Anderson patent. Defendants counterclaimed for unspecified damages alleging that the Plaintiffs breached a confidentiality provision pursuant to a consulting agreement between Winfield and Miner. The judge rendered a decision that neither side has a sufficient case to enable awards. The case was appealed by Plaintiffs in the Federal Court of Appeals.

On March 13, 1997 the Court of Appeals remanded the case to the District Court to permit Plaintiffs to initiate discovery related to Defendants' foreign patents. The Company is engaging in discovery to determine the amount of damages and to otherwise vigorously pursue this claim in District Court. The Company is not able to estimate damages, if any.

Except for the matter described above, there are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Registrant or any of its subsidiaries is a party or of which any of their property is the subject.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Executive Officers of the Registrant

The following table sets forth the names and ages of all executive officers of the Company and certain information

relative to their positions with the Company and prior employment history during at least the past five years:

Name	Age	Position with the Company and Prior Employment History
Kevin T. Keane	65	President, Chief Executive Officer and Director.
John M. Yessa	58	Vice President of Finance, Treasurer, Chief Financial Officer and Director.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information with respect to the market price of and dividends on the Company's Common Stock and related shareholder matters appears on the inside cover and page 19 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1997, submitted herewith as an exhibit and incorporated by reference.

Item 6. SELECTED FINANCIAL DATA

Selected Financial Data appears on page 20 of Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1997, submitted herewith as an exhibit and incorporated by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Management's discussion and analysis of financial condition, changes in financial condition and results of operations appears on pages 20, 21, 22 and 23 of Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1997, submitted herewith as an exhibit and incorporated by reference.

Item 8. FINANCIAL STATEMENTS

The Financial Statements of Astronics Corporation which are incorporated by reference in this Annual Report on Form 10-K are described in the accompanying Index to Financial Statements at Item 14 of this Report.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The information regarding directors is contained under the captions "Election of Directors" and "Record Date and Voting Securities" in the Company's definitive Proxy Statement dated March 18, 1998 and is incorporated herein by reference.

Certain information regarding executive officers is contained under the captions "Executive Compensation" and "Record Date and Voting Securities" in the Company's definitive Proxy Statement dated March 18, 1998 and on the back inside cover of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1997, submitted herewith as an exhibit, which are both incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

The information contained under the caption "Executive Compensation" in the Company's definitive Proxy Statement dated March 18, 1998 is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required is contained under the caption "Record Date and Voting Securities" in the Company's definitive Proxy Statement dated March 18, 1998, and is hereby incorporated by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of March 6, 1998, the Company knows of no relationships required to be disclosed pursuant to Item 404 of Regulation S-K.

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The documents filed as a part of this report are as follows:

1. Financial Statements

2. Financial Statement Schedules

See Index to Financial Statements and Financial Statement Schedules on page 14 of this report.

All other consolidated financial schedules are omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or the notes thereto.

3. Exhibits

Exhibit No.	Description
3(a)	Restated Certificate of Incorporation, as amended; incorporated by reference to exhibit 3(a) of the Registrant's December 31, 1988 Annual Report on Form 10-K.
(b)	By-Laws, as amended; incorporated by reference to exhibit 3(b) of the Registrant's December 31, 1988 Annual Report on Form 10-K.
10.1	Restated Thrift and Profit Sharing Retirement Plan; incorporated by reference to exhibit 10.1 of the Registrant's December 31, 1994 Annual Report on Form 10-KSB.
10.3	Incentive Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 26, 1982.
10.4	Director Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 16, 1984.
10.5	Employment Contract of Kevin T. Keane; incorporated by reference to Exhibit 10.5 of the Registrant's registration statement on Form S-2 (No. 33-8040).
10.7	Employment Contract of John M. Yessa; incorporated by reference to Exhibit 10.7 of the Registrant's registration statement on Form S-2 (No. 33-8040).
10.10	1992 Incentive Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 30, 1992.
10.11	1993 Director Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 19, 1993.
10.12	1997 Director Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 14, 1997.
13	1997 Annual Report to Shareholders filed herewith. (Except for those portions which are expressly incorporated by reference to the Annual Report on Form 10-K, this exhibit is furnished for the information of the Securities and Exchange Commission and is not deemed to be filed as part of this Annual Report for Form 10K.)

21	Subsidiaries of the Registrant.

23	Consent of Independent Auditors.
27	Financial Data Schedule.

(b) Reports on Form 8-K

None

ASTRONICS CORPORATION

INDEX TO FINANCIAL STATEMENTS

The financial statements, together with the report thereon of Ernst & Young LLP dated January 22, 1998, appearing on pages 8 to 19 of the accompanying 1997 Annual Report to Shareholders are incorporated by reference in this Annual Report on Form 10-K.

Financial schedules for the years 1997, 1996 and 1995:

SCHEDULE II

ASTRONICS CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Year	Description	Balance at the Beginning of Period	Charged to Costs and Expense	Write-offs/ Recoveries	Balance at End of Period
1997	Allowance for Doubtful Accounts	$404	$111	$(288)	$227
1996	Allowance for Doubtful Accounts	$359	$176	$(131)	$404
1995	Allowance for Doubtful Accounts	$367	$125	$(133)	$359

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on March 27, 1998.

Astronics Corporation

By /s/ Kevin T. Keane	By /s/ John M. Yessa
Kevin T. Keane, President and Chief Executive Officer	John M. Yessa, Vice President-Finance and Treasurer, Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert T. Brady Robert T. Brady	Director	March 27, 1998
/s/ John B. Drenning John B. Drenning	Director	March 27, 1998
/s/ Kevin T. Keane Kevin T. Keane	Director	March 27, 1998
/s/ Robert J. McKenna Robert J. McKenna	Director	March 27, 1998

/s/ John M. Yessa John M. Yessa	Director	March 27, 1998

ASTRONICS CORPORATION

INDEX TO EXHIBITS

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21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors.
27	Financial Data Schedule.

EXHIBIT 13

ASTRONICS CORPORATION 1997 ANNUAL REPORT

Astronics is a niche-oriented company which, by virtue of its strategic and operational focus, achieves growth and income objectives that exceed its industry norms.

Composed of two business groups, operating in the segments of Aerospace and Electronics, and Specialty Packaging, the businesses are decentralized with the autonomy necessary to capitalize on rapid changes in today's business environment.

Growth opportunities are targeted that can benefit from our technical and operational superiority. This enables Astronics to provide unique product diversity and performance capabilities, competitive market pricing, and performance with exceptional response standards.

Astronics enjoys substantial market share dominance within its business areas. In each of its segments, the company aims to be the sole source or the preferred provider for the majority of the business.

Financial Highlights
(in thousands except for per share data)

	1997	1996	1995	1994	1993
Net Sales	$ 40,972	$ 38,371	$ 28,536	$ 24,944	$ 23,957
Net Income	3,551	2,657	1,760	1,306	1,188*
Diluted Earnings Per Share	.67	.51	.37	.26	.24*
Shareholders' Equity	18,198	14,842	11,726	10,334	9,414
Book Value Per Share	3.63	2.99	2.46	2.13	1.86
Stock Market Price - High	12.50	6.00	3.10	2.50	2.60
Stock Market Price - Low	4.88	2.80	1.60	1.50	1.60
Return on Equity (on January 1 Equity)	23.9%	22.7%	17.0%	13.9%	14.5%

*Includes extraordinary expense item net of income taxes $307 ($.06 per share)

Graph inserted depicting Net Sales (in millions) of Astronics:

1993	1994	1995	1996	1997
23.9	24.9	28.5	38.3	40.9

Performance Highlights

New state-of-the-art computerized Bobst die cutting equipment purchased by Specialty Packaging has reduced make-ready from hours to minutes and increased production rates substantially. This allows lower lot sizes, smaller inventories and exceptional response capability.

The new MaxEL lamp creates a new generation of electroluminescent technology and is leading Astronics into numerous new consumer electronics and automotive markets.

Innovative partnerships such as the Hershey products program will continue to move Specialty Packaging to increased penetration throughout its market niches where technology, competence and exceptional responsiveness are critical success factors.

Message to our Shareholders

It is a pleasure to again report record sales, earnings, return on equity and record highs for our stock prices. The results for 1997 reflect the continuation of strong operations, increasing product offerings, expanding market opportunities, and management believes, the emergence of growing double-digit sales.

The 1997 shipments were $40,972,000, an 11% increase from ongoing operations. As a result of continued productivity gains, earnings increased 34% to $3,551,000 or $.67 per share. For each of the last three years, earnings have grown in excess of 30% per year. Return on shareholder equity increased to 24% in 1997. All told, the market has rewarded this performance with a 90%

increase in the price of the stock during 1997.

Our confidence is reflected in the strong investments that we continue to make to expand our facilities, advance technological capabilities, improve process efficiencies and enhance competitive leverage. During the last five years, capital expenditures for product development, technological improvements, and facility expansions, with the exclusion of acquisitions, have exceeded 11% of sales. In 1997 alone, this figure exceeded $3,000,000 or 7% of sales. For 1998, we expect these commitments to be approximately 15% of sales.

It is our conviction that we are well positioned for increasing growth rates. This will be driven by a number of new product offerings and market strategies in our business segments and by technological enhancements which are continuing to decrease costs and therefore increase competitiveness, and provide aggressive customer response capability.

During 1997, we were ISO 9001 certified in our Specialty Packaging manufacturing operations. We expect to realize this certification in our Aerospace and Electronics operations within the foreseeable future. This quality process is essential to our business initiatives as we expand in our national and global marketing perspectives.

Astronics continues to generate high levels of cash flow that has provided the ability to maintain our strong investments and enabled the Company, during 1997, to retire $3,146,000 in debt and long-term lease obligations. At year end, long-term debt and lease obligations were reduced to 11% of assets and 18% of equity. While we are expanding our opportunities to grow more aggressively, we continue to maintain a conservative financial structure that is important to our strategy of long-term business acceleration and development.

We view 1998 as another year of potential double-digit growth. A number of new products are expected to enter the market and further broaden our marketing opportunities. Our technical capabilities are strong and continuing to improve as we commit further investments to state-of-the-art technology. We are looking forward with confidence and great anticipation to the future.

Kevin T. Keane

President and Chief Executive Officer
January 22, 1998

Graph inserted depicting Net Income (in millions) of Astronics:

1993	1994	1995	1996	1997
1.1	1.3	1.7	2.6	3.6

Aerospace and Electronics

The Aerospace and Electronics group designs, manufactures and markets specialized lighting systems and ruggedized keyboard assemblies. The Company maintains close working relationships with customers and therefore has an extensive understanding of modern aerospace requirements. The Company aggressively pursues new business by providing technologically superior products at competitive prices. Astronics' customers in this group are located in 47 countries and include high profile businesses in the electronics, aerospace, air transport and automotive industries. The Aerospace and Electronics group generates 27% of its revenues from international operations and 20% from sales to the defense industry.

With a resurgence of corporate and commuter aircraft, the Aerospace and Electronics group experienced strong operating results for 1997. Operating income was 62% higher than in 1996 while sales increased 2%. Domestic and foreign sales enjoyed similar rates of growth. There were numerous process improvements in lighting and panel technology that provided significant gains in manufacturing efficiency. This group constantly commits revenues to research and development in order to ensure a consistent rate of future growth.

Astronics maintains competitive advantage within the marketplace by marketing its in-depth knowledge and experience. Tight process management, quality controls, and investment in state-of-the-art manufacturing technologies nurture and support our development of innovative products and provide customers with cost-effective solutions for their technical requirements.

Astronics commits to comprehensive involvement with our customers. This gives Astronics sharper focus on our chosen specialized markets. Design reviews, project management and engineering integration are common forums shared by Astronics with our clients in maximizing the potential of our product solutions.

Innovative engineering, cost management, and dedicated customer support are all fundamental to Astronics' industry leadership position. By emphasizing these areas and investing in key technology, the Company drives a sustainable long-term future while maintaining a competitive position in today's chosen markets.

Specialty Packaging

Astronics' Specialty Packaging group designs, manufactures and markets standard and custom folding cartons, and presentation products. By possessing capabilities in-house, the Company provides optimum efficiency and quality while retaining a wide range of flexibility. This group delivers products to over 10,000 customers in more than 10 countries and is established as a sole or preferred supplier for most of its' customer base.

During 1997, operating income and sales increased 23% and 11% respectively. Foreign sales remained a constant 6% of total sales. Sales expectations for 1998 are strong and include an agreement signed with Staples Office Superstores to market products nationally to its 700-plus locations.

Customers are comprised largely of pharmaceutical, healthcare, food, confectionery, automotive, and similar industries that require packaging design and construction for both aesthetic and protective purposes. The Company has the ability to provide unique accommodation to these industries by virtue of its' state-of-the-art capabilities in design and production. In 1997, the Packaging business was certified to ISO 9001 quality standards. Comprehensive service and partnership relationships have developed strong customer commitments. This has created consistent market expansion among existing customers and the rapid development of new accounts.

The Company is committed to investing in technologically advanced equipment in support of its niche strategy. The recent acquisition of Heidelberg printing equipment, and Bobst die cutters, positions Specialty Packaging with the most efficient systems on the market. Such reinvestment of earnings advances the competitive advantage in all areas of the business process.

With a growth rate of more than twice the industry average, the Astronics Specialty Packaging group has proven itself to be a premier supplier within the specialty paperboard packaging industry.

Aerospace and Electronics

Electroluminescent Lamps

Astronics has been a pioneer in the field of electroluminescent (EL) lighting and continues as a leading innovator. For more than 25 years, the Company has supplied the commercial and military sectors with EL systems for use in both standard and advanced applications.

Our newest product addition, trade-named MaxEL, uses the latest phosphor microencapsulation technology. This lightweight, thin profile lamp is designed for high-volume, low cost manufacturing processes. MaxEL lamps are gaining recognition around the world and can be seen in watches, clocks, LCD's, hand-held keypad devices and automotive applications.

Features of EL lamps include customized shaping, uniform luminosity, minimal heat generation and solid state reliability.

Graph inserted depicting Sales Growth (in millions) for the Aerospace and Electronics group:

1993	1994	1995	1996	1997
9.1	9.1	11.5	19.7	20.1

Military Aircraft Formation Lights

Military rotary and fixed wing aircraft have been guided by Astronics light systems while flying in formation and landing in some of the most precarious places. These EL devices provide uninterrupted performance in the presence of extreme pressures and temperatures, shock, vibration, humidity, and environmental contaminants. Astronics dominates this market segment world-wide and builds formation lights for most western military aircraft flying today.

Escape Path Lighting Systems

Astronics is a leading supplier of emergency lighting systems to over 300 airlines around the world. This product line combines the durability of EL lighting with the reliability of solid state electronics. Astronics' emergency lighting products include floor and seat mounted proximity escape path marking, exit locator and marking signs, and rotor craft exit locators. Other applications include ships, oil platforms, and special use buildings.

Cockpit Lighting Systems

Aircraft cockpit lighting is available by individual components or as fully integrated, customized assemblies. Astronics' products have set the standard for long term reliability in the most demanding aerospace applications. Made of patented Astron construction, products include integrally lit panels, avionics keyboards, ambient light sensors, annunciator panels and a full range of electronic dimmers. Astronics has developed a reputation as an innovator in this field and continues to provide the most advanced cockpit lighting systems to major airframe and avionics manufacturers in North America and Europe. The increasing use of integrated lighting systems, among the avionics industry, favors the Astronics components and should provide substantial future growth opportunities.

Ruggedized Keyboard Systems

Astronics has taken lighting experience, display technology, electro-mechanical packaging and combined them in a durable line of ruggedized keyboards and switch panel products. Advanced production methods allow every possibility from prototyping to high-volume runs. By incorporating a modular concept and flexible manufacturing capabilities, these units are able to satisfy requirements for both the industrial and military sectors.

This product line includes full travel keyboards for high speed data entry in the harshest environments, keypads designed for military and industrial purposes and illuminated switch panels that adapt keyboard devices to detailed lighting requirements.

Specialty Packaging

Proprietary Products

Flexibility has contributed to Astronics being a premier supplier within the Specialty Packaging industry. The Company's broad line of standard packaging designs are available for same day shipment from in-stock inventory in quantities as small as 50 units or by the truckload. With hundreds of items to choose from, this product line fills a wide range of uses and is personalized with graphic designs and special imprinting. Astronics is the dominant U.S. provider of stock boxes for small to mid-size confectionery store operations.

Imprinted Products

Astronics, in addition to providing substantial enhancement of packaging products through foil and ink imprinting, does custom offset printing. Specialty Packaging is noted for exceptional response capabilities and markets on a direct basis and through store catalogs nationwide, including Hawaii and Puerto Rico. Most imprinted products are shipped within 24 hours of order.

Custom Products

The company's custom packaging is a practical solution for filling unique requirements such as protective functions and product differentiation. These forms can be economically manufactured in most configurations and satisfy a wide range of applications. Throughout all stages of design and production, every effort is made to minimize manufacturing costs and maintain a highly creative product.

Within custom products, customers are offered full or partial packaging programs which utilize advanced computer aided design and manufacturing systems (CAD-CAM). As of early 1998, these systems will be fully networked with printing plate production (CTP), computer driven product production, and quality management systems. This creates the ability for innovative and short cycle time packaging solutions that are a key factor for success in today's market.

Graph inserted depicting Sales Growth (in millions) for the Specialty Packaging group:

1993	1994	1995	1996	1997
14.7	15.8	17.0	18.6	20.8

Partnership Programs

Special interactive programs and partnerships are utilized for focused market expansion. As a result, new demands from the market are quickly recognized and analyzed for execution. Solid graphic arts coupled with strong structural design are joined

with customer initiatives to provide a product that is optimally designed for the manufacturing process. Coordinated initiatives significantly reduce the production cycle times and production costs which translates to a major competitive advantage.

Astronics Corporation Financial Review

The following financial statements and related information for Astronics Corporation has been prepared by management and audited by Ernst and Young LLP, independent auditors.

Consolidated Statements of Income
(in thousands, except per share data)

	Year ended December 31,		
	1997	1996	1995
Net Sales	$40,972	$38,371	$28,536
Cost and Expenses			
Cost of products sold	27,543	27,333	19,970
Selling, general and administrative expenses	7,463	7,959	5,148
Interest expense, net of interest income of $14, $23 and $102	437	813	479
Gain on sale of assets	-	(1,757)	-

	35,443	34,348	25,597
Income before taxes	5,529	4,023	2,939
Provision for income taxes	1,978	1,366	1,179
Net Income	$ 3,551	$ 2,657	$ 1,760
Earnings per Share			
Basic	$ .71	$ .55	$ .37
Diluted	$ .67	$ .51	$ .37

See notes to financial statements.

Consolidated Balance Sheets
(in thousands, except per share data)

	December 31,	
	1997	1996
Current Assets		
Cash and cash equivalents	$ 740	$ 1,130
Accounts receivable, net of allowance for doubtful accounts of $227 in 1997 and $404 in 1996	4,443	3,688
Inventories	4,761	4,862
Prepaid expenses	415	578
Total Current Assets	10,359	10,258
Property, Plant and Equipment, at cost		
Land	326	326
Buildings and improvements	9,807	9,178
Machinery and equipment	24,640	22,210
	34,773	31,714
Less accumulated depreciation and amortization	16,613	14,072
Net Property, Plant and Equipment	18,160	17,642
Other Assets	1,722	1,965
	$30,241	$29,865

Current Liabilities		
Current maturities of long-term liabilities	$ 1,194	$ 2,246
Accounts payable	2,564	2,463
Accrued expenses	1,942	1,757
Income taxes	360	937
Total Current Liabilities	6,060	7,403
Long-Term Debt	2,110	3,798
Long-Term Obligations Under Capital Leases	1,194	1,600
Deferred Income Taxes	822	545
Deferred Compensation	1,857	1,677
Shareholders' Equity		
Common Stock, $.01 par value Authorized 10,000,000 shares, issued 4,642,910 in 1997; 4,519,219 in 1996	46	45
Class B Stock, $.01 par value Authorized 5,000,000 shares, issued 715,797 in 1997; 749,161 in 1996	7	7
Additional Paid-in capital	2,520	2,297
Retained earnings	16,640	13,089
	19,213	15,438
Less Treasury Stock: 341,946 shares in 1997; 298,307 shares in 1996, at cost	1,015	596
Total Shareholders' Equity	18,198	14,842
	$30,241	$29,865

Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31, 1997	1996	1995
Cash Flows from Operating Activities			
Net income	$3,551	$2,657	$1,760
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,831	2,631	2,575
Provision for doubtful accounts	(177)	45	(8)
Gain on sale of assets	-	(1,757)	(50)
Provision for deferred taxes	277	(330)	(300)
Cash flows from changes in operating assets and liabilities, Net of the effect of acquired or sold business:			
Accounts receivable	(578)	1,141	169
Inventories	101	1,354	565
Prepaid expenses	163	68	51
Accounts payable	101	(61)	615
Accrued expenses	185	308	235
Income taxes	(577)	685	10
Deferred compensation	180	1,339	-
Net Cash provided by Operating Activities	6,057	8,080	5,622
Cash Flows from Investing Activities			
Proceeds from sale of assets	-	219	60
Change in other assets	(46)	(281)	(429)
Capital expenditures	(3,060)	(4,025)	(6,101)
Net payment for assets of company acquired	-	-	(6,292)
Proceeds from sale of division	-	2,250	-
Net Cash used by Investing Activities	(3,106)	(1,837)	(12,762)
Cash Flows from Financing Activities			
New long-term debt	-	-	6,990
Principal payments on long-term debt and capital lease obligations	(3,146)	(6,345)	(2,230)
Proceeds from issuance of stock	337	464	193
Fractional shares paid on stock distribution	-	(4)	-
Purchase of stock for treasury	(532)	-	(561)
Net Cash provided (used) by Financing Activities	(3,341)	(5,885)	4,392
Net increase (decrease) in cash and cash equivalents	(390)	358	(2,748)
Cash and Cash Equivalents at Beginning of Year	1,130	772	3,520
Cash and Cash Equivalents at End of Year	$ 740	$1,130	$ 772
Disclosure of Cash Payments for:			
Interest	$ 474	$ 869	$ 551
Income taxes	2,278	1,017	1,468

See notes to financial statements.

Consolidated Statements of Shareholders' Equity
(dollars and shares in thousands)

<TABLE>
<CAPTION>

	Common Stock		Class B Stock		Treasury Stock			
	Shares Issued	Par Value	Shares Issued	Par Value	Shares	Cost	Paid-In Capital	Retained Earnings
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1994	3,232	$32	850	$ 9	187	$ 462	$2,068	$8,687
Net Income for 1995								1,760
Treasury Stock Sold					(82)	(215)	(76)	
Treasury Stock Purchased					197	561		
Exercise of Stock Options	35	-					54	

Class B Stock converted to Common Stock	35	1	(35)	(1)				
Balance at December 31, 1995	3,302	33	815	8	302	808	2,046	10,447
Net Income for 1996								2,657
Stock Distribution	1,040	10			75			(15)
Treasury Stock Sold					(79)	(212)	(41)	
Exercise of Stock Options	98	1	13	-			292	
Class B Stock converted to Common Stock	79	1	(79)	(1)				
Balance at December 31, 1996	4,519	45	749	$ 7	298	$ 596	$2,297	$13,089
Net Income for 1997								3,551
Treasury Stock Sold					(38)	(113)	53	
Treasury Stock Purchased					82	532		
Exercise of Stock Options	91	1					170	
Class B Stock converted to Common Stock	33	-	(33)	-				
Balance at December 31, 1997	4,643	$46	716	$ 7	342	$1,015	$2,520	$16,640

</TABLE>

See notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Summary of Significant Accounting Principles and Practices

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

Revenue Recognition

Revenue is recognized on the accrual basis, i.e., at the time of shipment of goods. There are no significant contracts allowing for right of return. The Company performs periodic credit evaluations of its customers financial condition and generally does not require collateral.

Inventories

Inventories are stated at the lower of cost or market, cost being determined in accordance with the first-in, first-out method. Inventories at December 31 are as follows:

	(in thousands) 1997	1996
Finished Goods	$1,740	$1,826
Work in Progress	879	744
Raw Material	2,142	2,292
	$4,761	$4,862

Property, Plant and Equipment

Depreciation of property, plant and equipment is computed on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes. Estimated useful lives of the assets are as follows: buildings, 13-40 years; and machinery and equipment, 3-13 years. Leasehold improvements are amortized over the terms of the lease or the lives of the assets, whichever is shorter.

The cost of properties sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts, and the resulting gain or loss, as well as maintenance and repair expenses, are reflected in income. Renewals and betterments are capitalized.

Goodwill

Included in other assets, the excess of purchase price over the fair value of net tangible assets acquired, net of accumulated amortization, amounted to $1,099,000 and $1,149,000 at December 31, 1997 and 1996, respectively. Accumulated amortization amounted to $332,000 and $282,000 at December 31,

1997 and 1996, respectively. These assets are amortized over 15-40 years on a straight-line basis, starting in the year of acquisition.

Income Taxes

The Company files a consolidated federal income tax return. Deferred taxes are computed under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Earnings Per Share

Earnings per share computations are based upon the following table:

	1997	1996	1995
Net Income	$3,551	$2,657	$1,760
Basic earnings per share weighted average shares	4,996	4,835	4,789
Net effect of dilutive stock options	336	367	-
Diluted earnings per share weighted average shares	5,332	5,202	4,789
Basic earnings per share	$ 0.71	$ 0.55	$ 0.37
Diluted earnings per share	$ 0.67	$ 0.51	$ 0.37

Cash Equivalents

The Company considers all highly-liquid investments in debt securities with original maturities of three months or less as cash equivalents.

Class B Stock

Class B Stock is identical to Common Stock, except Class B Stock has ten votes per share, is automatically converted to Common Stock when sold or traded, and cannot receive dividends unless an equal or greater amount is declared on Common Stock.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2

Acquisition

On November 29, 1995, Astronics Corporation acquired for $6,292,000 the assets and business devoted to electroluminescent lighting business of Loctite Luminescent Systems, Inc. of Lebanon, New Hampshire.

The acquisition has been accounted for as a purchase, and the purchase price has been allocated to the tangible assets acquired in proportion to their estimated fair value at the acquisition date. The excess of the purchase price over the fair market value of net assets has been recorded as goodwill. The results of operation have been included in the consolidated statement of operations and retained earnings from the date of acquisition.

Note 3

Notes Payable

The Company has an unsecured line of credit of $11,000,000, which provides for interest at bank prime or LIBOR plus 100 basis points. The line is available for three years and automatically converts into a four year term loan at not more than $9,000,000. At December 31, 1997 and 1996, $1,800,000 and $2,700,000, respectively, was outstanding.

Note 4

Long-Term Debt

Long-term debt consists of the following:

	(in thousands) 1997	1996
Mortgage payable in installments through 2003 with interest at 11.00%	$ 39	$ 43
Term loan payable in installments through 1998 with interest at 6.96%	750	2,550
Revolver loan with interest at LIBOR plus 100 basis points	1,800	2,700
Urban Development Action Grant financing payable in monthly installments through 2006, with interest at 3%	310	342
	2,899	5,635
Less current maturities	789	1,837
	$ 2,110	$ 3,798

The mortgage payable and grant are secured by certain property, plant and equipment. The unsecured term loan, among other requirements, imposes certain covenants with which the Company maintains compliance.

Estimated principal maturities of long-term debt over the next five years are as follows: $789,000; $490,000; $492,000; $494,000, and $496,000.

Note 5

Long-Term Obligations Under Capital Leases

The County of Erie, State of New York, has issued industrial Revenue Development Bonds in connection with the acquisition of certain land, production facilities and equipment. These bear interest at seven to ten percent, or 70 percent of the bank's prime rate. The Company also leases certain other equipment under capital leases from six to ten percent interest. The following is a schedule by years of future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of December 31, 1997:

Period	(in thousands) Capital Lease
1998	$ 520
1999	492
2000	429
2001	177
2002	143
2003-2004	176
Net minimum lease payments	1,937
Amounts representing interest	338
Present value of net minimum lease payments	$ 1,599

Amounts related to the capital leases included in the Balance Sheet are summarized as follows:

	(in thousands) 1997	1996
Property, Plant and Equipment:		
Land	$ 125	$ 125
Buildings and improvements	2,592	2,592
Machinery and equipment	2,578	2,578
	5,295	5,295
Less accumulated depreciation	4,025	3,863
	$ 1,270	$ 1,432
Debt:		
Current	405	409
Long-term	1,194	1,600
	$ 1,599	$ 2,009

The Company subleases a portion of these facilities from which they anticipate future total minimum rentals of $1,043,000.

Note 6

Stock Option and Purchase Plans

A summary of the Company's stock option activity, and related information for the years ended December 31 follows:

1997	1996	1995
Weighted	Weighted	Weighted

	Options	Average Exercised Price	Options	Average Exercised Price	Options	Average Exercised Price*
Outstanding at the beginning of the year	577,233	$2.07	540,849	$ 2.33	612,719	$2.05
Options granted	47,714	$7.69	95,714	$ 4.71	133,500	$2.93
Stock distribution	-	-	129,247	$ (.47)	-	-
Options exercised	(128,563)	$2.63	(175,582)	$ 1.55	(131,045)	$1.58
Options expired	(15,358)	$3.38	(12,995)	$ 2.61	(74,325)	$2.41
Outstanding at the end of the year	481,026	$2.60	577,233	$ 2.07	540,849	$2.33
Exercisable at December 31	403,156	$2.02	413,487	$ 1.66	374,849	$2.20

Exercise prices for options outstanding as of December 31, 1997 range from $1.05 to $8.29. The weighted average remaining contractual life of these options is 4.8 years.

*1995 does not reflect restatement for the September 30, 1996 stock distribution.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation." The Company uses the measurement prescribed by APB Opinion No. 25 which does not recognize compensation expense if the exercise price of the stock option equals the market price of the underlying stock on the date of grant. SFAS 123 requires companies that choose to

continue using APB Opinion No. 25, and thus not adopting the new fair value accounting rules, to disclose pro forma net income and earnings per share under the new method.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1997: risk-free interest rate of 6.0%; dividend yield of 0%; volatility factor of the expected market price of the Company's common stock of .38; and a weighted-average expected life of the option of 4.8 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information for the year ended December 31, 1997 is as follows: net income $3,431,000; basic earnings per share $ .69; and diluted earnings per share $ .65. The pro forma effect on earnings for the years ended December 31, 1996 and 1995 was immaterial.

The Company established the 1982 and 1992 Inventive Stock Option Plans for the purpose of attracting and retaining executive officers and key employees, and to align management's interest with those of the shareholders. Generally, the options must be exercised within ten years from the grant date and, under the 1992 Plan, the options vest ratably over a five year period. The exercise price for the options is equal to the fair market value at the date of grant. The Company had options outstanding for 152,500 shares and 173,750 shares under the 1982 and 1992 Plans, respectively. At December 31, 1997 options available for future issuance under the 1992 Plan are 109,250 shares.

The Company established the 1984, 1993 and the 1997 Directors Stock Option Plan for the purpose of attracting and retaining the services of experienced and knowledgeable outside directors, and to align their interest with those of the shareholders. The options must be exercised within ten years from the grant date. The exercise price for the option is equal to the fair market value at the date of grant. The Company had options outstanding for 78,906 shares and 44,000 shares under the 1984 and 1993 Plans, respectively. At December 31, 1997 options available for future issuance under the 1997 Plan are 100,000 shares.

The Company established the Employee Stock Purchase Plan to encourage employees to invest in the Company. Each option is for one year, but may be canceled by the employee at any time during that year. The purchase price of the option is 85 percent of the market price on the date of grant. The employee pays for the option through a weekly payroll deduction. At December 31, 1997 employees had outstanding options to purchase 31,870 shares at $8.29 per share on September 30, 1998.

Note 7

Income Taxes

The provision for income taxes consists of the following:

	(in thousands) 1997	1996	1995
Currently payable			
Federal	$1,635	$1,614	$1,412
State	146	82	67
Deferred (from prior) to future years	197	(330)	(300)
	$1,978	$1,366	$1,179

The effective tax rates of 35.8% in 1997, 34.0% in 1996, and 40.1% in 1995, which differ from the statutory federal income tax, are a result of the following:

	1997	1996	1995
Statutory federal income tax rate	34.0%	34.0%	34.0%
Tax exempt items, net	.4%	.6%	.6%
State income tax, net of federal income tax benefit	1.8%	1.8%	1.5%
Other	(.4%)	(2.4%)	4.0%
	35.8%	34.0%	40.1%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1997 and 1996 are as follows:

	(in thousands) 1997	1996
Long-term deferred tax liabilities:		
Tax depreciation over book depreciation	$ 1,999	$ 1,730
Net long-term deferred tax liability	1,999	1,730
Long-term deferred assets:		
State net operating loss carryforwards	$ 57	$ 118
State investment tax credit carryforwards	972	800
Deferred compensation	814	749
Other-net	234	318
Total long-term deferred tax assets	2,077	1,985
Valuation allowance for deferred tax assets related to state net operating losses and investment tax credit carryforward	(900)	(800)
Net long-term deferred tax asset	1,177	1,185
Net long-term deferred tax liability	$ 822	$ 545

At December 31, 1997, the Company had state net operating loss carryforwards of $1,055,000 for income tax purposes expiring through 2010 and state investment tax credit carryforwards of $972,000 expiring through 2007. The state carryforwards are subject to separate tax return limitations.

Note 8

Deferred Profit Sharing/401(k) Plan and Deferred Compensation

The Company has a trustees Deferred Profit Sharing/401(k) Plan for the benefit of its eligible full-time employees. The Profit Sharing/401(k) Plan provides for annual contributions based on percentages of pre-tax income. In addition, employees may contribute up to ten percent of their salary to the 401(k) features. The plan may be amended or terminated at any time. Total charges to income for the plan were $745,000, $548,000, and $438,000, in 1997, 1996, and 1995, respectively. In 1996, the Company formalized a deferred compensation arrangement for senior officers, payable over a ten-year period after retirement.

Note 9

Accrued Expenses

Accrued expenses consist of the following:

	(in thousands) 1997	1996
Accrued payroll and employee benefits	$ 842	$ 590
Accrued profit sharing	745	616
Other accrued liabilities	355	551
	$ 1,942	$ 1,757

Note 10
<TABLE>
<CAPTION>
Selected Quarterly Financial Information
(unaudited) (in thousands, except for per share data)

	Quarter ended Dec. 31, 1997	Sept. 27, 1997	June 28, 1997	Mar. 29 1997	Dec. 31, 1996	Sept. 28, 1996	June 29, 1996	Mar. 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Sales	$11,445	$10,214	$ 9,688	$ 9,625	$10,024	$ 9,095	$ 9,683	$ 9,569
Gross Profit	$ 4,067	$ 3,289	$ 3,091	$ 2,982	$ 3,118	$ 2,551	$ 2,648	$ 2,721
Income before tax	$ 2,059	$ 1,457	$ 1,013	$ 1,000	$ 1,891	$ 1,043	$ 551	$ 538
Net income	$ 1,385	$ 937	$ 646	$ 583	$ 1,236	$ 678	$ 377	$ 366
Basic earnings per share	$ .28	$ .18	$ .13	$ .12	$ .25	$ .14	$ .08	$ .08

Diluted earnings per share	$ .26	$ .18	$ .12	$ .11	$ .24	$ .13	$ .07	$ .07

</TABLE>

Note 11

Supplemental Cash Flow Information

During the year ended December 31, 1996, the Company sold substantially all the assets of the Rodgard Division. During the year ended December 31, 1995, the Company purchased substantially all the assets of Loctite Luminescent Systems, Inc. These transactions resulted in non-cash increases in the following accounts.

	1996	1995
Accounts receivable	$ -	$ 2,093
Inventories	(84)	2,680
Prepaid expenses	-	38
Other assets	-	498
Property, plant and equipment	-	1,299
Accounts payable	-	(310)
Accrued expenses	-	(6)
Deferred compensation	(338)	-

Note 12

Operations in Different Industries

The Company operates in two areas: Aerospace and Electronics, and Specialty Packaging. Operations in Aerospace and Electronics involve the design, manufacturing and marketing of state-of-the-art and advanced technological components incorporated into functional systems including instrument panels, photo reproductions and keyboard technologies. Customers are typically well-know companies in the automotive, aerospace, defense, and electronics industries worldwide. Operations in Specialty Packaging involve the design, manufacturing and marketing of folding paperboard packaging for customers' delivery of their products and high quality custom imprinting of napkins, invitation and other paper products. The Company is a dominant provider of custom folding boxes in chosen markets.

Corporate assets consist mainly of cash, cash equivalents and furniture and equipment.

(in thousands)

	Sales	Operating Profit	Income Before Taxes	Assets	Capital Expenditures	Depreciation and Amortization
1997 Aerospace and Electronics	$20,167	$3,529	-	$ 9,110	$ 412	$ 767
Specialty Packaging	20,805	3,996		20,011	2,644	2,029
Operating profit			7,525			
Interest expense			(437)			
Corporate			(1,559)	1,120	4	35
	$40,972	$7,525	$5,529	$30,241	$3,060	$2,831
1996 Aerospace and Electronics	$19,718	$2,173	-	$ 8,077	$ 254	$ 799
Specialty Packaging	18,653	3,258		20,295	3,761	1,753
Operating profit			5,431			
Interest expense			(813)			
Gain on sale of assets			1,757			
Corporate			(2,352)	1,493	10	79
	$38,371	$5,431	$4,023	$29,865	$4,025	$2,631
1995 Aerospace and Electronics	$11,530	$1,557	-	$12,082	$ 234	$1,219
Specialty Packaging	17,006	2,955		17,603	5,817	1,306
Operating profit			4,512			
Interest expense			(479)			
Corporate			(1,094)	1,130	50	50
	$28,536	$4,512	$2,939	$30,815	$6,101	$2,575

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of Astronics Corporation

We have audited the accompanying consolidated balance sheets of Astronics Corporation as of December 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astronics Corporation at December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Buffalo, New York
January 22, 1998

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The financial statements and accompanying information were prepared by and are the responsibility of Astronics' management. The statements were prepared in conformity with generally accepted accounting principles and, as such, include amounts that are based on management's best estimates and judgments.

The Company's internal control systems are designed to provide reliable financial information for the preparation of financial statements, to safeguard assets against loss or unauthorized use and to ensure that transactions are executed consistent with Company policies and procedures. Management believes that existing internal accounting control systems are achieving their objectives and that they provide reasonable assurance concerning the accuracy of the financial statements.

Oversight of management's financial reporting and internal accounting control responsibilities is exercised by the Board of Directors, through an Audit Committee which consists solely of outside directors. The Committee meets periodically with management and the independent accountants to ensure that each is meeting its responsibilities and to discuss matters concerning auditing, internal accounting control and financial reporting.

/s/ Kevin T. Keane	/s/ John M. Yessa
Kevin T. Keane	John M. Yessa
President and	Vice President-Finance, Treasurer
Chief Executive Officer	and Chief Financial Officer

STOCK PRICES

The adjacent table sets forth the range of prices for the Company's Common Stock, traded on the Nasdaq National Market System, for each quarterly period during the last two years. The approximate number of shareholders of record as of February 23, 1998 was 980.

	1997	1996
First	$4.88 - $7.25	$2.80 - $4.60
Second	6.13 - 6.75	3.70 - 5.60
Third	6.38 - 10.00	4.20 - 5.70
Fourth	8.00 - 12.50	4.50 - 6.00

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA

(in thousands, except per share data)

	1997	1996	1995	1994	1993
For the year:					
Sales	$40,972	$38,371	$28,536	$24,944	$23,957
Income before extraordinary item	3,551	2,657	1,760	1,306	1,495
Net income	3,551	2,657	1,760	1,306	1,188
Per share:					
Income before extraordinary item	.71	.55	.37	.26	.30
Basic earnings per share	.71	.55	.37	.26	.24
Diluted earnings per share	.67	.51	.37	.26	.24
Dividends	--	--	--	--	.01
Shares used in computation of basic earnings per share	4,996	4,835	4,789	4,966	5,002
Shares used in computation of diluted earnings per share	5,332	5,202	4,789	4,966	5,002
At end of year:					
Total assets	$30,241	$29,865	$30,815	$23,787	$24,786
Net investment in property, plant and equipment	18,160	17,642	16,276	11,177	11,744
Working capital	4,299	2,855	6,101	6,035	6,377

Long-term debt	2,110	3,798	9,713	4,771	6,627
Long-term obligations under capital leases	1,194	1,600	2,010	2,228	2,624
Shareholders' equity	18,198	14,842	11,726	10,334	9,414

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table sets forth an income statement with percentage of net sales and the percentage increase (decrease) of such items as compared to the prior period.
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	1997		1996		1995		Period to Period	
							1996-97	1995-96
(in thousands)	$	%	$	%	$	%		
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Net sales								
Aerospace and Electronics	$20,167	49.2	$19,178	51.4	$11,530	40.4	2.3%	71.0%
Specialty Packaging	20,805	50.8	18,653	48.6	17,006	59.6	11.5%	9.7%
	40,972	100.0	38,371	100.0	28,536	100.0	6.8%	34.5%
Cost of goods sold	27,543	67.2	27,333	71.2	19,970	70.0	.8%	36.9%
Selling, general and administrative expenses	7,463	18.2	7,959	20.8	5,148	18.0	(6.2)%	54.6%
Gain on sale of assets	-	-	(1,757)	(4.6)	-	-	-	-
	5,966	14.6	4,836	12.6	3,418	12.0	23.4%	41.5%
Other deductions:								
Interest expense, net	437	1.1	813	2.1	479	1.7	(46.2)%	69.7%
Income before taxes	5,529	13.5	4,023	10.5	2,939	10.3	37.4%	36.9%
Provision for taxes	1,978	4.8	1,366	3.6	1,179	4.1	44.8%	15.9%
Net income	$3,551	8.7	$2,657	6.9	$1,760	6.2	33.6%	51.0%

</TABLE>

Introduction

Astronics Corporation operates in two business segments: Aerospace and Electronics; and Specialty Packaging. The Company changed the name of its Electronics Systems segment in 1997 to Aerospace and Electronics to better reflect its products and market focus. The Company designs, manufactures and markets electroluminescent lamps and incorporates them into escape path lighting systems, aircraft cockpit lighting systems, military aircraft formation lighting, and ruggedized and avionics keyboards.

During the Third Quarter of 1997, the Specialty Packaging segment received its ISO 9001 certification. The Aerospace and Electronics segment anticipates its ISO 9001 certification in the near future.

On July 1, 1997, the Company renegotiated the interest rate terms on its Revolving Line of Credit. Under the new terms, the company's interest rate is LIBOR plus 100 basis points or the bank's prime rate. No other terms or conditions were changed in the agreement.

On October 30, 1996, effective September 30, 1996, Astronics Corporation sold its Rodgard Division, a manufacturer of thick walled elastomeric products. Sales for the nine months of 1996 totaled $1,494,000, and sales for the year ended December 31, 1995, were $2,568,000.

On November 29, 1995, the Company acquired the business and assets of Loctite Luminescent Systems, Inc., Lebanon, NH. This business complements the electroluminescent business already performed by the Company's Aerospace and Electronics segment. The acquired business and the existing enterprise were combined in a single business unit under the name of Luminescent Systems, Inc. The Company operates plants in New Hampshire and New York, as well as a sales office in Belgium.

The Financial Accounting Standards Board (FASB) issued Statement No. 128 "Earnings per Share" for Companies reporting after December 15, 1997. The Company shows the information for both basic and diluted earnings per share in its financial statements and footnotes. For Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company uses diluted earnings per share only. The new FASB pronouncement 130 "Reporting Comprehensive Income" is not applicable to the Company.

Sales

Astronics Corporation established a new sales record for the year as well as for the last 14 quarters based on the trailing twelve months results. Sales increased 6.8 percent in 1997 over 1996 compared to an increase of 34.5 percent over 1995. Sales in 1997, based on ongoing operations, increased 11.1 percent. Sales for the year were evenly divided between Aerospace and Electronics (49.2 percent) and Specialty Packaging (50.8 percent). The gain in Aerospace and Electronics sales in 1996 is the result of the late 1995 acquisition of Loctite Luminescent Systems.

Sales in the Aerospace and Electronics segment increased 2.3 percent in 1997 to $20,167,000 compared to the growth in 1996 of 71.0 percent over 1995. When sales growth is calculated on an ongoing business basis, sales increased 10.7 percent in 1997 and 103.3 percent in 1996. The major product areas of growth have been realized in the emergency egress lighting and cockpit lighting systems areas. The Company has been awarded key development contracts for lighting systems in planes being developed for the commercial, private and military aircraft markets.

Sales in the Specialty Packaging segment increased 11.5 percent in 1997 to $20,805,000. This followed an increase of 9.7 percent in 1996 in which sales increased from $17,006,000 in 1995 to $18,653,000 in 1996. This growth has been experienced mainly in the custom box business. This product line utilizes the Company's engineering, design and manufacturing capabilities for specific product solutions enabling customers to enhance their distribution to the marketplace. The Company is continuing to develop opportunities to partner with customers to jointly meet the customer's needs.

The Company is increasing its international business, which amounted to approximately 15 percent of 1997 sales. Sales to foreign customers are made in U.S. dollars. Less than one percent of total sales were made to Asian countries. Sales in the Aerospace and Electronics segment are mainly by competitive bid based on customer specifications. None of the government contracts are subject to renegotiation of profits clauses. Sales in the Specialty Packaging segment are approximately 50 percent from standard catalog pricing and 50 percent from competitive bid based on customer specifications.

Expenses

The gross profit margin increased in 1997 to 32.8 percent, compared to 28.8 percent in 1996 and 30.0 percent in 1995. The product mix change since 1995, which has resulted from the 1995 acquisition, has had an effect on the ratios. The total cost of goods sold increased less than one percent in 1997 on a sales increase of 6.8 percent. This compares to an increase of 36.9 percent in 1996 on sales growth of 34.5 percent. Within this broad group, there have been various shifts of costs. For example, material usage was 19.7 percent in 1997, 25.2 percent in 1996 and 25.6 percent in 1995. Employee costs (wages and benefits) was 28.0 percent in 1997, 26.4 percent in 1996 and 23.4 percent in 1995. Part of this increase reflects the technical nature of the increasing sales in Aerospace and Electronics, which require more support. Depreciation, as a percent of sales, decreased from 7.7 percent in 1995 to 5.6 percent in 1997. Facility costs have increased from 5.1 percent of sales in 1995 to 6.1 percent in 1997. This reflects the rental payments made on

the facilities in New Hampshire. All other categories of expenses were approximately the same percentage of the sales dollar in each of the three years.

The company's operating profit increased by 93.8 percent in 1997, after decreasing by 10.0 percent in 1996. This wide variance is the result of the finalization in 1996 of a deferred compensation arrangement for senior management. When this one-time expense is removed for comparison purposes, operating income increased in both years: 1997 by 39.4 percent and in 1996 by 25.2 percent. The expenses in this area tend to be more fixed than variable. Employee costs were 10.2 percent of sales in 1997, 10.3 percent in 1996 (restated), and 10.7 percent in 1995. All other cost areas are within a percentage point of the prior year.

In October 1996, the Company sold its Rodgard Division for cash of $2,250,000. The Company retained the facility used by this Division, and is leasing it to the new owners of the business. The net gain on this transaction was $1,757,000. The Company also recorded, as expense in the same period, an additional contribution to the employees' Profit Sharing Plan, the write-down of potentially obsolete inventory in the Aerospace and Electronics segment, an additional reserve for accounts receivables over 120 days, and the formalization of the deferred compensation arrangement. The net effect of the gain and the recording of additional expenses is approximately $100,000 of income after taxes, or $.02 per share.

Interest

Interest costs, net of interest income, was $437,000 (1.1 percent of sales) in 1997, $813,000 (2.1 percent of sales) in 1996, and $479,000 (1.7 percent of sales) in 1995. The Company reduced its total long-term indebtedness by $3,146,000 in 1997, $6,345,000 in 1996, and $2,230,000 in 1995. Also in 1995, the Company borrowed $6,990,000 to facilitate the acquisition of Loctite Luminescent Systems, Inc. In July 1997, the Company reduced its interest rate on outstanding debt from its Revolving Line of Credit by 25 basis points to LIBOR plus one hundred basis points. The Company does not have any compensating balance arrangements in its financing.

Income Before Taxes

Income before taxes increased 37.4 percent in 1997 to $5,529,000 compared to the 1996 increase of 36.9 percent to $4,023,000. In 1995, the Company earned $2,939,000 before provision for taxes.

Taxes

The provision for taxes for 1997 is $1,978,000, or 4.8 percent of net sales, compared to $1,366,000, or 3.6 percent of sales in 1996, and $1,179,000, or 4.1 percent of sales in 1995. The effective tax rate for 1997 was 35.8 percent, compared to 34.0 percent in 1996 and compared to 40.1 percent in 1995. The Company utilized state tax credits in 1997 and 1996. The Company's Federal Income Tax returns have been audited through 1995.

Net Income

The Company earned 8.7 percent on the sales dollar in 1997, compared to 6.9 percent in 1996 and 6.2 percent in 1995. The net income was $3,551,000 in 1997, $2,657,000 in 1996, and $1,760,000 in 1995. On a trailing twelve-month basis, the Company has increased earnings in each of the last 15 quarters. On a diluted earnings per share basis, the Company earned $.67 in 1997, $.51 in 1996, and $.37 in 1995.

Liquidity

Working Capital increased in 1997 to $4,299,000 from $2,855,000 in 1996. The Company's cash decreased during the 1997 year by $390,000 after increasing by $358,000 in 1996. The Company remains current on all loan commitments and covenants.

Credit Line

The Company maintains an unsecured revolving line of credit for $11,000,000 with interest at either the bank's prime rate or LIBOR plus 100 basis points. At the end of three years (November 27, 1998) the Company can convert up to $9,000,000 of the outstanding balance to a four-year term loan. At December 31, 1997, the outstanding loan balance was $1,800,000, compared to $2,700,000 at December 31, 1996.

The Company believes that the cash generated from operations combined with the Revolving Line of Credit are adequate to fund the needs for working capital and capital expenditures for the 1998 Corporate Plan.

Dividend

The Company believes that its current investment programs (investments in technologies, processes and equipment, the reduction of debt, and the possible purchase of Treasury Stock) are important uses of cash, and are in the best long-term interest of its shareholders. Therefore, there are no plans to institute a cash dividend program.

Backlog

At December 31, 1997, the Company's backlog was $10,807,000, compared to $10,106,000 at December 31, 1996 and $8,953,000 at the end of 1995. The backlog for the Aerospace and Electronics segment was $9,686,000, $8,784,000, and $7,328,000 at December 31, 1997, 1996 and 1995, respectively. The Specialty Packaging segment had backlogs of $1,121,000, $1,322,000, and $1,625,000 at December 31, 1997, 1996 and 1995, respectively. The Company's commitment to on-time delivery of products and short cycle times have enabled the Company to reduce its inventories and improve the delivery of products to its customers.

Commitments

At December 31, 1997, the Company had outstanding capital expenditure commitments of approximately $4,100,000 compared to $2,000,000 at the end of 1996 and 1995. The major outstanding commitment is for a new printing press that will be installed in the Second Quarter of 1998. The Company also has normal outstanding purchase orders for raw materials and supplies necessary to carry on the business. The Company is not aware of any commitments in excess of today's market values nor in excess of quantities that will be used in normal operations. The Company is not aware of any contingent liabilities not provided for in its financial statements.

Year 2000

The Company employs several different computer systems for financial, engineering and manufacturing purposes. The Company purchases these systems, both hardware and software. Therefore, it does not have programmers writing code internally. In the last year, the Company was able to install upgrades to some of its systems that are Year 2000 compliant. Other systems will be upgraded in 1998 or in 1999, which the vendors have promised to be Year 2000 compliant. In the case of some software, the Company is installing a totally new software package that meets the Year 2000 issue as well as other desired improvements. At this time, the Company is not aware of any vendor's schedule that would affect the continuous operations of the business. The total invested for software upgrades to date is less than $50,000, and the Company's budget for additional upgrades and new software in 1998 is approximately the same. The Company continues to monitor this area, as well as key suppliers' compliance.

DIRECTORS AND OFFICERS OF ASTRONICS CORPORATION

Charles H. Biddlecom
Vice President-Marketing, MOD-PAC CORP.

Robert T. Brady
Director, Astronics Corporation
Chairman of the Board, President and Chief Executive Officer, Moog Inc.

Donald E. Derrick
Vice President, Luminescent Systems, Inc.

John B. Drenning
Secretary, Director, Astronics Corporation, Partner in the law firm Phillips, Lytle, Hitchcock, Blaine & Huber

Donna L. Eckman
Vice President, Krepe-Kraft, Inc.

Leo T. Eckman
President, Krepe-Kraft, Inc.

Peter J. Gundermann
President, Luminescent Systems, Inc.

Daniel G. Keane
President, MOD-PAC CORP.

Kevin T. Keane
President and Chief Executive Officer, Director, Astronics Corporation

James S. Kramer
Vice-President, Luminescent Systems, Inc.

Robert J. McKenna
Director, Astronics Corporation
Chairman of the Board, President and Chief Executive Officer, Acme Electric Corporation

John M. Yessa
Vice-President-Finance and Treasurer, Chief Financial Officer, Director, Astronics Corporation

THE COMPANIES OF ASTRONICS

Krepe-Kraft Inc.
Blasdell, New York

Luminescent Systems Inc.
East Aurora, New York and Lebanon, New Hampshire

MOD-PAC CORP.
Buffalo, New York

STOCK EXCHANGE LISTING

The Company's stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol ATRO.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer and Trust Company
New York, New York

ATTORNEYS

Phillips, Lytle, Hitchcock, Blaine & Huber
Buffalo, New York

INDEPENDENT ACCOUNTANTS

Ernst & Young LLP
Buffalo, New York

ANNUAL MEETING

April 23, 1998 - 10:00 A.M.
Orchard Park Country Club
S-4777 South Buffalo Street
Orchard Park, New York

FORM 10-K ANNUAL REPORT

The Company's Form 10-K Annual Report to the Securities and Exchange Commission provides certain additional information. A copy of this report may be obtained upon request to Shareholder Relations, Astronics Corporation, 1801 Elmwood Avenue, Buffalo, NY 14207.

SHAREHOLDER ADMINISTRATION

Please direct inquiries relating to shareholder accounting records and stock transfers to:

American Stock Transfer & Trust Company
40 Wall Street
New York, NY 10005

Please report change of address promptly to ensure timely receipt of Company communications. Please mail a signed and dated letter or postcard stating the name in which the stock is registered, and the previous and current addresses, to the above address.

PRESS RELEASES

In an effort to provide efficient and cost-effective communications to our shareholders, we are mailing copies of all Press Releases directly to our shareholders of record on the day of the release. These Press Releases will carry appropriate financial data, when applicable. The Press Release dates for the 1998 quarterly results are:

First Quarter - April 21, 1998
Second Quarter - July 21, 1998
Third Quarter - October 20, 1998
Fourth Quarter - January 26, 1999

Astronics Corporation
1801 Elmwood Avenue
Buffalo, New York 14207

EXHIBIT 21

ASTRONICS CORPORATION

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	Ownership Percentage	State of Incorporation
Krepe-Kraft, Inc.	100%	New York
Luminescent Systems, Inc.	100%	New York
MOD-PAC CORP	100%	New York

EXHIBIT 23

Consent and Report of Independent Auditors

Board of Directors
Astronics Corporation

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Astronics Corporation of our report dated January 22, 1998, included in the 1997 Annual Report to Shareholders of Astronics Corporation.

Our audits also included the financial statement schedule of Astronics Corporation listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in Registration Statement (Form S-8 No. 2-93090) pertaining to the Employee Stock Purchase Plan of Astronics Corporation of our reports dated January 22, 1998, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Astronics Corporation.

We also consent to the incorporation by reference in Registration Statement (Form S-8 No. 33-65141) filed with the Securities and

Exchange Commission for the registration of 732,132 shares of Astronics Corporation common stock of our reports dated January 22, 1998, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Astronics Corporation.

ERNST & YOUNG LLP

Buffalo, New York
March 25, 1998

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