**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC

FORM 10-Q

(Mark One)

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

For the fiscal quarter ended March 31, 2001

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

For the transition period from _____ to _____

Commission file number 0-7087

**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) | (Zip Code) |

**716-447-9013**
(Registrant's Telephone Number, Including Area Code)

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

Yes X No __

As of March 31, 2001, 5,381,477 shares of $.01 par value common stock and 1,022,647 shares of $.01 par value Class B common stock were outstanding.

## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements**

**ASTRONICS CORPORATION**
Consolidated Balance Sheet
March 31, 2001
With Comparative Figures for December 31, 2000

| | (Dollars in Thousands) March 31, 2001 (Unaudited) | December 31, 2000 |
|---|---|---|
| Current Assets: | | |
| Cash | $ 1,773 | $ 45 |

| | | |
|---|---|---|
| Accounts receivable | 11,141 | 12,837 |
| Inventories | 11,277 | 10,521 |
| Prepaid expenses | 561 | 512 |
| | ------ | ------ |
| Total current assets | 24,752 | 23,915 |
| Property, Plant and Equipment, at cost | 57,735 | 57,447 |
| Less accumulated depreciation and amortization | 22,215 | 21,231 |
| | ------ | ------ |
| Net property, plant and equipment | 35,520 | 36,216 |
| Unexpended Industrial Revenue Bond Proceeds | 1,101 | 1,701 |
| Other Assets | 5,088 | 5,188 |
| | ------ | ------ |
| | $ 66,461 | $67,020 |
| | ====== | ====== |
| Current Liabilities: | | |
| Current maturities of long-term debt | $ 936 | $ 1,276 |
| Accounts payable | 5,669 | 5,583 |
| Accrued expenses | 1,845 | 2,908 |
| Income taxes | 486 | 427 |
| | ------ | ------ |
| Total current liabilities | 8,936 | 10,194 |
| Long-term debt | 17,105 | 17,746 |
| Other Liabilities | 4,981 | 4,890 |
| Shareholders' Equity: | | |
| Common stock, $.01 par value Authorized 10,000,000 shares, issued 5,670,938 in 2001, 5,434,403 in 2000 | 57 | 54 |
| Class B common stock, $.01 par value Authorized 5,000,000 shares, issued 1,051,446 in 2001, 1,190,753 in 2000 | 10 | 12 |
| Additional paid-in capital | 3,150 | 3,100 |
| Accumulated other comprehensive income (loss) | (1) | 7 |
| Retained earnings | 33,015 | 31,809 |
| | ------ | ------ |
| | 36,231 | 34,982 |
| Less shares in Treasury, at cost | 792 | 792 |
| | ------ | ------ |
| Total shareholders' equity | 35,439 | 34,190 |
| | $ 66,461 | $67,020 |
| | ====== | ====== |

*See notes to financial statements.*

**ASTRONICS CORPORATION**

Consolidated Statement of Income and Retained Earnings
Period Ended March 31, 2001
With Comparative Figures for 2000

(Dollars in Thousands)
(Unaudited)

| | 2001 | 2000 |
|---|---|---|
| | ---- | ---- |
| Sales | $20,356 | $15,447 |
| Less: Freight charges | 433 | 297 |
| | ------ | ------ |
| Net Sales | 19,923 | 15,150 |
| Costs and Expenses: | | |
| Cost of products sold | 15,255 | 11,624 |
| Selling, general and administrative expenses | 2,673 | 2,089 |
| Interest expenses, net of interest income of $46 in 2001 and $53 in 2000 | 156 | 68 |
| Total costs and expenses | 18,084 | 13,781 |

| | | |
|---|---|---|
| | ------ | ------ |
| Income before taxes | 1,839 | 1,369 |
| Provision for income taxes | 633 | 361 |
| Net Income | 1,206 | 1,008 |
| Retained Earnings: | | |
| January 1 | 31,809 | 25,727 |
| | ------ | ------ |
| March 31 | $33,015 | $26,735 |
| | ====== | ====== |
| Earnings per share: | | |
| Basic | $ .19 | $ .16 |
| | === | === |
| Diluted | $ .18 | $ .15 |
| | === | === |

*See notes to financial statements.*

**ASTRONICS CORPORATION**
Consolidated Statement of Cash Flows
Three Months Ended March 31, 2001
With Comparative Figures for 2000

(Dollars in Thousands)
(Unaudited)

| | 2001 | 2000 |
|---|---|---|
| | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net income | $ 1,206 | $ 1,008 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,106 | 959 |
| Other | 91 | 132 |
| Cash flows from changes in operating assets and liabilities, excluding effects of acquisitions: | | |
| Accounts receivable | 1,696 | (829) |
| Inventories | (756) | (623) |
| Prepaid expenses | (49) | (301) |
| Accounts payable | 86 | (1,550) |
| Accrued expenses | (1,063) | (728) |
| Income taxes | 59 | 238 |
| Net Cash provided by Operating Activities | $ 2,376 | $ (1,694) |
| | ------ | ------ |
| Cash Flows from Investing Activities: | | |
| Change in other assets | (42) | (101) |
| Capital expenditures | (267) | (1,401) |
| Net Cash provided (used) by Investing Activities | $ (309) | $ (1,502) |
| | ----- | ------ |
| Cash Flows from Financing Activities: | | |
| New long-term debt | 150 | 1,700 |
| Principal payments on long-term debt and capital lease obligations | (1,140) | (107) |
| Unexpended industrial revenue bond proceeds | 600 | 891 |
| Proceeds from issuance of stock | 51 | 19 |
| Net Cash provided by Financing Activities | $ (339) | $ 2,503 |
| | ---- | ----- |
| Net increase (decrease) in Cash and Cash Equivalents | 1,728 | (693) |

| | | |
|---|---|---|
| Cash and Cash Equivalents at Beginning of Year | 45 | 1,153 |
| Cash and Cash Equivalents at March 31 | $ 1,773 | $ 460 |
| | ===== | === |
| Disclosure of cash payments for: | | |
| Interest | $ 245 | $ 123 |
| Income taxes | 588 | 86 |

*See notes to financial statements.*

**ASTRONICS CORPORATION**

Notes to Financial Statements
March 31, 2001

1) The accompanying unaudited statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

The balance sheet at December 31, 2000 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's 2000 annual report.

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

| (in thousands) | March 31, 2001 (Unaudited) | December 31, 2000 |
|---|---|---|
| Finished Goods | $ 2,557 | $ 2,740 |
| Work in Progress | 2,498 | 1,564 |
| Raw Material | 6,222 | 6,217 |
| | $11,277 | $10,521 |

3) The Company operates in two business segments: The Aerospace-Electronics segment concentrates on the design and manufacture of specialized lighting and control systems for aircraft. These systems typically encompass the electrical circuitry, lighting and control fixtures as well as the light elements. System components include power supplies, battery-based backup systems, dimmers, keyboards, control panels and specialized lighting fixtures. The systems are typically used in aircraft cockpits (avionics systems), cabins (escape path systems), and exteriors (position lighting systems). Customers include well-known aircraft manufacturers, operators and avionics companies. The Aerospace-Electronics segment also manufactures electroluminescent lamps used primarily to backlight liquid crystal displays in a wide array of consumer electronics applications, including watches, pagers, cell phones and personal digital assistants.

Astronics Printing-Packaging segment is the dominant North American manufacturer of stock folding cartons for small to medium size confectionary store operators. Custom folding cartons are also manufactured for a wide range of industrial and consumer products companies. This segment also custom prints invitations, napkins and accessories for all social and business events. Printed office products include business cards, post cards and presentation folders. The Company is a dominant provider of custom folding boxes in chosen markets.

| (in thousands) | Three Months Ended March 31, 2001 | | Three Months Ended April 1, 2000 | |
|---|---|---|---|---|
| | Aerospace and | Printing and | Aerospace and | Printing and |

| | Electronics | Packaging | Electronics | Packaging |
|---|---|---|---|---|
| Net sales to external customers | $12,964 | $6,959 | $ 9,426 | $5,724 |
| Income before taxes | 1,311 | 484 | 734 | 735 |
| | March 31, 2001 | | December 31, 2000 | |
| Segment assets | $36,996 | $25,642 | $38,653 | $26,455 |

A reconciliation of combined income before taxes for the three-month period is as follows:

| (in thousands) | Three Months Ended | |
|---|---|---|
| | March 31, 2001 | April 1, 2000 |
| Income before taxes from segments | $ 1,795 | $ 1,469 |
| Corporate expenses, net | 44 | (100) |
| Income before taxes | $ 1,839 | $ 1,369 |

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

The following table sets forth as a percent of net sales certain items reflected in the financial data and the percentage increase (decrease) of such items as compared to the prior period.

| | Percent of Net Sales Three months ended March 31, | |
|---|---|---|
| | 2001 | 2000 |
| Net Sales: | | |
| Aerospace and Electronics | 65.1% | 62.2% |
| Printing and Packaging | 34.9 | 37.8 |
| | 100.0% | 100.0% |
| Cost of products sold | 76.6 | 76.7 |
| Selling, general and administrative expenses | 13.4 | 13.8 |
| Interest expenses, net | .8 | .5 |
| | 90.8% | 91.0% |
| Income before provision for income taxes | 9.2% | 9.0% |
| Provision for taxes | 3.2 | 2.4 |
| Net Income | 6.0% | 6.6% |

NET SALES

Net sales set a new record for the First Quarter and 2001. Net sales increased for the Quarter by 31.5% in 2001 compared to the First Quarter 2000.

Net sales in the Aerospace and Electronics segment increased 38% for the First Quarter 2001, compared to the First Quarter 2000. This increase resulted mainly from the F-16 program, which began shipments in the Third Quarter of 1999. F-16 sales for the First Quarter 2001 were $5,100,000 compared to $3,400,000 for the First Quarter 2000. In May 2000, we acquired our Montreal operation which added $960,000 in sales for the First Quarter 2001.

Sales in the Printing and Packaging segment increased 21.6% for the First Quarter of 2001. New e-commerce based initiatives for short run commercial printing accounted for 60% of the increase in 2001. The balance came from our custom product line as this segment continues to expand its market share through focus on customer service with on-time deliveries, high quality products and short turnaround times.

BACKLOG

The Companys backlog at March 31, 2001 was $46,200,000. The backlog is composed of $44,100,000 in the Aerospace and Electronics segment and $2,100,000 in the Printing and Packaging segment. Approximately $29,000,000 of the Aerospace and Electronics backlog is

| | |
|---|---|
| | scheduled to ship over the balance of 2001. Virtually all of the Printing and Packaging backlog will ship in the next 90 days. |
| EXPENSES | Cost of products sold remained stable at 76.6% of sales in 2001 compared to 76.7% of sales in 2000. |
| | Gross profit margins in our Aerospace and Electronics segment improved to 23.7% in the First Quarter 2001 from 19.7% in the First Quarter 2000 as a result of production efficiencies in the F-16 program. In the Printing and Packaging segment margins slipped to 23% in the First Quarter 2001 from 29.3% in the First Quarter of 2000 in part due to product mix. In addition, training costs were incurred for new employees as this segment expanded its capability to meet anticipated demand for short-run commercial printing. |
| | Selling, general and administrative expenses decreased slightly as a percentage of sales: 13.4% in 2001 and 13.8% in 2000. The majority of these costs are for employee services, marketing expenses and operating supplies. |
| | Earnings before interest and taxes for the First Quarter of 2001 were $1,995,000, or 10.0% of sales, compared to $1,437,000, or 9.5% of sales, in 2000. |
| INTEREST | Net interest expense continued to be less than 1% of sales: 0.8% of sales for the 2001 and 0.5% of sales for the 2000 First Quarters, respectively. |
| INCOME BEFORE TAXES | Income before taxes for the 2001 First Quarter was 9.2% of sales compared to 2000's 9.0% of sales. |
| TAXES | The Company's tax provision as a percent of sales increased in 2001 as a percent of sales compared to 2000. The 2000's First Quarter's effective tax rate was reduced by favorable adjustments from estimated provisions. |
| NET INCOME | Net income for the First Quarter of 2001 established a new record for the Quarter: $1,206,000, or $.18 per diluted share. This breaks the record set in 2000 of $1,008,000, or $.15 per diluted share. |
| LIQUIDITY | Cash provided by operating activities was $2,376,000 during the First Quarter of 2001, which is roughly equal to net income plus depreciation and amortization. On a net basis there was little change in working capital components from year end levels. |
| | The Company's capital expenditures were down by $1,098,000 from 2000 levels, reflecting the timing of facilities acquisitions. Financing activities in 2001 reflect scheduled debt repayments and reduction in the usage of the Company's revolving line of credit for operating and investment needs. |
| | The Company has a $12,000,000 revolving line of credit, of which it had utilized $3,400,000 at March 31, 2001, compared to $4,133,000 at December 31, 2000. The Company believes that cash balances at March 31, 2001, cash flow from operations and availability on the revolving line of credit are adequate to meet the Company's operational and investment plans for 2001. |
| COMMITMENTS | At March 31, 2001, the Company had outstanding commitments for capital investments of approximately $3,500,000. The Company has commitments for items that it purchases in the normal on-going affairs of the business. The Company is not aware of any obligations in excess of normal market conditions, nor of any long-term commitments that would have a material adverse affect on its financial condition. |

## PART II - OTHER INFORMATION

**Item 1. Legal Proceedings.**

None.

**Item 2. Changes in Securities and Use of Proceeds .**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Securities Holders .**

At the annual meeting of shareholders held on April 26, 2001, the nominees to the Board of Directors were re-elected based on the following results:

| Nominees | Votes For | Votes Withholding Authority |
|---|---|---|
| Robert T. Brady | 13,337,013 | 725,762 |
| John B. Drenning | 13,294,303 | 768,472 |
| Peter J. Gundermann | 13,337,013 | 725,762 |
| Daniel G. Keane | 13,331,348 | 728,817 |
| Kevin T. Keane | 13,331,513 | 731,262 |
| Robert J. McKenna | 13,336,873 | 725,902 |

The selection of Ernst & Young LLP as the Registrant's auditors was approved by the following vote: 13,631,999 in favor; 16,346 against; and 406,886 abstentions.

The proposed 2001 Stock Option Plan was approved by the following vote: 10,137,777 in favor; 1,706,993 against; and 63,233 abstentions.

Under Applicable New York law and the Company's charter documents, abstentions and non-votes have no effect.

**Item 5. Other Information.**

None.

**Item 6. Exhibits and Reports on Form 8-K .**

Exhibit 11. Computation of Per Share Earnings.

**SIGNATURES**

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

DATED: May 7, 2001

ASTRONICS CORPORATION
/s/ C. Anthony Rider
(Signature)
C. Anthony Rider
Vice President-Finance and Treasurer
(Principal Financial Officer)

# EXHIBIT 11

COMPUTATION OF PER SHARE EARNINGS

(in thousands, except for per share data)
Three Months Ended March 31

| | 2001 | 2000 |
|---|---|---|
| Net income | $1,206 | $1,008 |
| Basic earnings per share weighted average shares | 6,363 | 6,252 |
| Net effect of dilutive stock options | 321 | 314 |
| Diluted earnings per share weighted average shares | 6,684 | 6,566 |
| Basic earnings per share | $.19 | $.16 |
| Diluted earnings per share | $.18 | $.15 |