SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the fiscal quarter ended September 27, 1997

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

For the transition period from ________________ to ______________

Commission file number 0-7087

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 September 27, 1997, 4,244,986 shares of $.01 par value common stock and 727,539 shares of $.01 par value Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ASTRONICS CORPORATION

Consolidated Balance Sheet
September 27, 1997
With Comparative Figures for December 31, 1996

ASSETS

	(Dollars in Thousands) September 27, 1997 (Unaudited)	December 31, 1996
Current Assets:		
Cash	$ 148	$ 1,130
Accounts receivable	4,639	3,688
Inventories:		
Finished goods	1,930	1,826
Work in process	858	744
Raw material	2,069	2,292
Prepaid expenses	389	578
Total current assets	10,033	10,258
Property, Plant and Equipment	33,967	31,714
Less accumulated depreciation and amortization	15,923	14,072
Net property, plant and equipment	18,044	17,642
Other Assets	1,826	1,965
	$ 29,903	$ 29,865

See notes to financial statements.

ASTRONICS CORPORATION

Consolidated Balance Sheet
September 27, 1997
With Comparative Figures for December 31, 1996

LIABILITIES AND SHAREHOLDERS' EQUITY

	(Dollars in Thousands) September 27, 1997 (Unaudited)	December 31, 1996
Current Liabilities:		
Current maturities of long-term debt	$ 1,645	$ 2,246
Accounts payable	2,757	2,463
Accrued expenses	1,736	1,757
Income taxes	353	937
Total current liabilities	6,491	7,403
Long-Term Debt	2,969	3,798

Long-Term Obligations under Capital Leases	1,296	1,600
Deferred Income Taxes	763	545
Supplemental Retirement Obligations	1,755	1,677
Shareholders' Equity:		
Common stock, $.01 par value Authorized 10,000,000 shares, issued 4,625,168 in 1997, 4,519,219 in 1996	46	45
Class B common stock, $.01 par value Authorized 5,000,000 shares, issued 727,539 in 1997, 749,161 in 1996	7	7
Additional paid-in capital	2,449	2,297
Retained earnings	15,255	13,089
	17,757	15,438
Less shares in Treasury, at cost	(1,128)	(596)
Total shareholders' equity	16,629	14,842
	$ 29,903	$ 29,865

See notes to financial statements.

ASTRONICS CORPORATION

Consolidated Statement of Income and Retained Earnings
Period Ended September 27, 1997
With Comparative Figures for 1996

(Dollars in Thousands)
(Unaudited)

	NINE MONTHS		THREE MONTHS	
	1997	1996	1997	1996
Net Sales	$29,527	$28,347	$10,214	$9,095
Costs and Expenses:				
Cost of products sold	20,165	20,427	6,925	6,544
Selling, general and administrative expenses	5,543	5,131	1,718	1,305
Interest expenses, net of interest earned of $14 in 1997 and $14 in 1996	349	657	114	203
Total costs and expenses	26,057	26,215	8,757	8,052
Income before provision for taxes on income	3,470	2,132	1,457	1,043
Provision for taxes on income	1,304	711	520	365

Net Income	2,166	1,421	937	678

Retained Earnings:		
January 1	13,089	10,447
Less stock distribution	--	(11)
September 27	$15,255	$11,857

Income per Common Share	$ .41	$ .27	$ .18	$ .13

See notes to financial statements.

ASTRONICS CORPORATION

Consolidated Statement of Cash Flows
Nine Months Ended September 27, 1997
With Comparative Figures for 1996

(Dollars in Thousands)
(Unaudited)

	1997	1996
Cash Flows from Operating Activities:		
Net income	$ 2,166	$ 1,421
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,042	1,901
Provision for doubtful accounts	(221)	65
Provision for deferred taxes	218	95
Cash flows from changes in operating assets and liabilities:		
Accounts receivable	(730)	263
Inventories	5	822
Prepaid expenses	189	88
Accounts payable	294	173
Accrued expenses	(21)	232
Income taxes payable	(584)	(16)
Supplemental retirement obligations	78	0
Net Cash provided (used) by Operating Activities:	$ 3,436	$ 5,044
Cash Flows from Investing Activities:		
Proceeds from sale of assets	0	219
Change in other assets	(53)	(201)
Capital expenditures	(2,252)	(3,289)
Net Cash provided (used) by Investing Activities	$ (2,305)	$ (3,271)
Cash Flows from Financing Activities:		
Principal payments on long-term debt and capital lease obligations	(1,734)	(2,131)
Proceeds from issuance of stock	153	68
Fractional shares on distribution	0	(2)
Purchase of Treasury Stock	(532)	0
Net Cash provided (used) by Financing Activities	$ (2,113)	$ (2,065)
Net increase (decrease) in Cash and Cash Equivalents	(982)	(292)

Cash and Cash Equivalents at Beginning of Year	1,130	772
Cash and Cash Equivalents at September 27	$ 148	$ 480

Disclosure of cash payments for:		
Interest	$ 375	$ 687
Income taxes	1,668	897

See notes to financial statements.

ASTRONICS CORPORATION

Notes to Financial Statements

September 27, 1997

1) The interim financial statements are unaudited, but, in the opinion of management, reflect all adjustments necessary for a fair presentation of results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual report for the year ended December 31, 1996.

ASTRONICS CORPORATION

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 Nine Months Ended September 27,		Period-to-Period Increase (Decrease)
	1997	1996	1996-1997
Net Sales:			
Electronic Systems	50.2%	55.5%	(5.6)%
Specialty Packaging	49.8	44.5	16.4%

	100.0%	100.0%	4.2%
Cost of products sold	68.3	72.1	(1.3)%
Selling, general and administrative expenses	18.8	18.1	8.0%
Interest expenses, net	1.2	2.3	(46.9)%
	88.3%	92.5%	(.6)%
Income before provision for income taxes	11.7%	7.5%	62.8%
Provision for taxes	4.4	2.5	83.4%
Net Income	7.3%	5.0%	52.4%

INTRODUCTION Astronics Corporation operates in two business segments: Aerospace and Electronics, and Specialty Packaging.

The Company has renamed its Electronics Systems segment to Aerospace and Electronics, as it believes that it better represents its product and marketing focus. The Company manufactures electroluminescent lamps and incorporates them into escape path lighting systems, aircraft cockpit lighting systems, military aircraft formation lights and ruggedized and avionics keyboards.

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 $1,491,000, 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., in Lebanon, NH. This business complements the electroluminescent business already performed by the Company's Aerospace and Electronics segment. The newly 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.

During the First Quarter a new accounting pronouncement was issued for the calculation of earnings per share. This is FASB Statement No. 128, Earnings per Share. The Company will implement this new standard with its 1997 annual report to shareholders. The Company's basic earnings per share will increase about ten percent.

On July 1, 1997, the Company renegotiated the interest rate terms of 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.

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

SALES The Company established a new sales record for the Third Quarter, as well as for any quarter in its history and for the trailing twelve months. The new record for sales for the Third Quarter is $10,214,000, and for the trailing twelve months the record is $39,551,000. Based on the trailing twelve months, the Company has recorded a new sales record for 13 consecutive quarters. Year-to-date sales are $29,527,000, compared to $28,347,00 for the first nine months of 1996. The sales increase for the quarter was 12.3

percent, for the nine months the gain was 4.2 percent and for the trailing twelve months, the gain is 6.4 percent. When sales reflect the on-going businesses (eliminating the sales of the Rodgard Division, which was sold in 1996) the gain for the quarter is 17.6 percent, for the nine months it is 9.1 percent, and for the trailing twelve months it is 12.4 percent.

Sales are divided evenly between the two segments, with Aerospace and Electronics sales representing 50.2 percent and Specialty Packaging having 49.8 percent. The sales for the first nine months of 1997 represent a net sales growth of 4.2 percent. Sales in the Aerospace and Electronics segment are down 5.6 percent in total, but they have increased 4.2 percent when only continuing operations are considered. The Specialty Packaging segment has increased sales 16.4 percent. The increased sales are the result of the increased capability of the Company to deliver quality products within a short period of time. The Company continues to expand capacity at rate that allows responsive support of its customers.

BACKLOG The backlog for the Company at September 27, 1997, was $11,098,000, an increase of $992,000 since December 31, 1996. This compares to the September 28, 1996 backlog of $10,236,000. The backlog consists of $9,214,000 in the Aerospace and Electronics segment and $1,884,000 in the Specialty Packaging segment.

EXPENSES Cost of products sold decreased as a percentage of sales during the first nine months of 1997 to 68.3 percent, compared to 72.1 percent of sales in 1996, and compared to 70.0 percent in 1995. The decreased costs came from improved productivity which has resulted in reduced material usage costs, product mix changes, and from the substantial completion of process change costs relating to tooling and supply costs. Material costs decreased to 20.0 percent in 1997, compared to 25.3 percent in 1996, and 25.0 percent in 1995. Employee costs, as a percentage of sales, increased in 1997 to 28.5 percent compared to 26.4 percent in 1996, and 23.4 percent in 1995. The increase in employee costs in 1997 over the 1996 and 1995 expense levels is the increased manufacturing of parts previously purchased from outside vendors and the additional personnel supporting the technical aspects of the business, mainly in the Aerospace and Electronic segment. The Company has completed a significant portion of its retooling for new equipment in the Specialty Packaging area. It has also finished the majority of the transition changes with the facility and operations of the business acquired in 1995. The remaining general categories increased less than one percentage point of sales. This resulted in an increase in gross profit of 18.2 percent to $9,362,000 in 1997. In 1996, gross profit increased 33.7 percent to $7,920,000, compared to $5,925,000 in 1995.

Selling, general and administrative expenses increased as a percentage of sales in 1997, when compared to 1996. In 1997, these costs were 18.8 percent of sales, compared to 18.1 percent in 1996, and 20.7 percent in 1995. The majority of these costs are for employee services, marketing expenses, and operating supplies. None of the areas increased a full percentage point when 1997 costs are compared to 1996. The Company has a policy that it reserves all trade receivables over 120 days (150 days in 1996), or earlier if there are substantial questions. During the first nine months of 1997, the company expensed $53,000, compared to an expense of $105,000 in 1996, and $253,000 in 1995. Operating income increased to $3,819,000 in 1997, or 12.9 percent of sales, compared to $2,789,000, or 9.8

percent of sales in 1996, and compared to $1,852,000, or 9.4 percent of sales in 1995.

INTEREST Interest costs, net, decreased for the first nine months of 1997 to $349,000, or 1.2 percent of sales, compared to $657,000, or 2.3 percent of sales in 1996, which compared to $319,000 in 1995, or 1.6 percent of sales. The 1997 decrease reflects the strong cash flow experienced in 1997 and 1996, which enabled the accelerated reduction of the revolving line of credit. The 1996 increase reflected the

financing of the November 1995 acquisition. While the Company increased its borrowing for the acquisition in 1995, and for working capital in late 1995 and early in both 1996 and 1997, it has steadily reduced prior debt as scheduled and paid back the borrowings from the early portion of the year. The revolving line of credit was priced at LIBOR plus 125 basis points through June 30, 1997. Effective, July 1, 1997, the pricing is LIBOR plus 100 basis points. Gross interest expense was $363,000 in 1997, $671,000 in 1996, and $416,000 in 1995. The Company has less than one year remaining on a five-year term loan, which is reflected on the Balance Sheet as a declining amount payable under current maturities of long-term debt.

SUMMARY The Company earned, when taking all of the above into consideration, for the first nine months of 1997 before provision for taxes, $3,470,000, or 11.8 percent of sales, compared to $2,132,000, or 7.5 percent of sales in 1996, and $1,533,000, or 7.8 percent in 1995 on sales.

TAXES The Company's tax provision takes into account the federal and state taxes for which it is liable. The Company has nearly depleted its tax credits available for the Aerospace and Electronics business in New York State. This will result in slightly higher state taxes in future quarters. The 1997 tax provision for the first nine months is $1,304,000, or 4.4 percent of sales, compared to $711,000, or 2.5 percent of sales in 1996, and $618,000, or 3.1 percent of sales in 1995. The 1996 provision reflected favorable changes in the New York State tax law for both 1996 and 1995. The Company records its tax expense under the FASB 109 guidelines.

NET INCOME Net income for the Third Quarter and for the nine months ended September 27, 1997 are new records as well as for the trailing twelve months. Net earnings for the first nine months are $2,166,000, or $.41 per share in 1997, which compare to $1,421,000, or $.27 per share in 1996, and $915,000, or $.19 per share in 1995. This is the 14th consecutive quarter in which the company has increased earnings on a trailing twelve-month basis. The earnings for the twelve month period in 1997 are $3,402,000, or $.65 per share, compared to $2,266,000, or $.45 per share in 1996, and compared to $1,643,000, or $.34 per share in 1995.

LIQUIDITY The Company's working capital increased in the first nine months of 1997 by $563,000 compared to a decrease in 1996 of $1,894,000 and a decrease of $2,054,000 in the first nine months of 1995. The Company's investment in new equipment, processes and facilities was $2,252,000 in the first nine months of 1997, compared to $3,289,000 in 1996, and to $2,705,000 in 1995. The Company reduced its indebtedness by $1,734,000 in the first nine months of 1997, compared to $2,131,000 in 1996, and to $1,670,000 in 1995. During the Second Quarter, the Company repurchased its shares owned by ATRO Companies Profit Sharing/401(k) Plan for $532,000. The Company has an $11,000,000 revolving line of credit available for additional working capital needs, of which it

had utilized $2,650,000 at the end of the first nine months of 1997, compared to $6,350,000 at the same time in 1996. The Company feels that its beginning cash balance, the cash flow from internal operations and the available balance of the revolving line of credit are adequate to meet the Company's operational and investment plans for 1997.

COMMITMENTS The Company has outstanding commitments for capital investments of approximately $4,000,000 at September 27, 1997. This is for further expansion of capacity in the Specialty Packaging segment with installation scheduled for the First Quarter of 1998. 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 affect its financial condition.

OTHER The Company believes that it is addressing the year 2000 computer issues. The costs of necessary changes are immaterial and are being expensed as incurred. The Company does not believe that it will experience a negative effect from these issues in the future.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

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: November 11, 1997

ASTRONICS CORPORATION

/s/ John M. Yessa

John M. Yessa
Vice President-Finance and Treasurer

EXHIBIT 11

COMPUTATION OF PER SHARE EARNINGS

(in thousands, except for per share data)
Quarter Ended Sepember 27

	1997	1996	1995
Primary			
Average shares outstanding	4,991	4,808	4,788
Net effect of dilutive stock options based on the treasury stock method using average market price	326	385	-
Total	5,317	5,193	4,788
Net income	$2,166	$1,421	$ 915
Per share amount	$ .41	$ .27	$ .19
Fully Diluted			
Average shares outstanding	4,991	4,808	4,788
Net effect of dilutive stock options based on the treasury stock method using quarter-end market price	365	431	-
Total	5,356	5,239	4,788
Net income	$2,166	$1,421	$ 915
Per share amount	$ .40	$ .27	$ .19

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