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 July 3, 1999

[ ] 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 July 3, 1999, 4,890,001 shares of $.01 par value common stock and 687,448 shares of $.01 par value Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ASTRONICS CORPORATION

Consolidated Balance Sheet
July 3, 1999
With Comparative Figures for December 31, 1998

(Dollars in Thousands)

	July 3, 1999 (Unaudited)	December 31, 1998
Current Assets:		
Cash	$ 686	$ 523
Accounts receivable	5,848	5,435
Inventories	6,657	4,935
Prepaid expenses	189	1,229
Total current assets	13,380	12,122
Property, Plant and Equipment	53,677	44,090
Less accumulated depreciation and amortization	20,647	19,096
Net property, plant and equipment	33,030	24,994
Unexpended Industrial Revenue Bond Proceeds	519	4,657
Other Assets	2,031	1,934
	$ 48,960	$ 43,707
Current Liabilities:		
Current maturities of long-term liabilities	$ 847	$ 446
Accounts payable	6,767	2,939
Accrued expenses	1,383	2,085
Income taxes	2	347
Total current liabilities	8,999	5,817
Other Liabilities	15,393	15,160
Shareholders' Equity:		
Common stock, $.01 par value Authorized 10,000,000 shares, issued 5,239,188 in 1999, 5,225,001 in 1998	52	52
Class B common stock, $.01 par value Authorized 5,000,000 shares, issued 687,448 in 1999, 693,660 in 1998	7	7

(Dollars in Thousands)

	July 3, 1999 (Unaudited)	December 31, 1998
Additional paid-in capital	2,690	2,681
Retained earnings	22,761	20,932
	25,510	23,672
Less shares in Treasury, at cost	942	942
Total shareholders' equity	24,568	22,730
	$ 48,960	$ 43,707

See notes to financial statements.

ASTRONICS CORPORATION

Consolidated Statement of Income and Retained Earnings
Period Ended July 3, 1999
With Comparative Figures for 1998

(Dollars in Thousands)
(Unaudited)

	SIX MONTHS 1999	SIX MONTHS 1998	THREE MONTHS 1999	THREE MONTHS 1998
Net Sales	$23,458	$21,353	$11,133	$10,296
Costs and Expenses:				
Cost of products sold	16,560	14,953	7,834	7,261
Selling, general and administrative expenses	4,040	3,765	1,903	1,661
Interest expenses, net of interest income of $67 in 1999, and $0 in 1998	88	180	17	103
Total costs and expenses	20,688	18,898	9,754	9,025
Income before taxes	2,770	2,455	1,379	1,271
Provision for income taxes	941	889	483	450
Net Income	1,829	1,566	896	821
Retained Earnings:				
January 1	20,932	16,640		
July 3	$22,761	$18,206		
Earnings per share:				
Basic	$ .33	$ .28	$ .16	$ .14
Diluted	$ .31	$ .26	$ .15	$ .13

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See notes to financial statements.

ASTRONICS CORPORATION

Consolidated Statement of Cash Flows
Six Months Ended July 3, 1999
With Comparative Figures for 1998

(Dollars in Thousands)
(Unaudited)

	1999	1998
Cash Flows from Operating Activities:		
Net income	$ 1,829	$ 1,566
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,714	1,388
Provision for doubtful accounts	--	44
Provision for deferred taxes	92	25
Cash flows from changes in operating assets and liabilities:		
Accounts receivable	(413)	(688)
Inventories	(1,722)	(216)
Prepaid expenses	1,040	85
Accounts payable	3,828	(280)
Accrued expenses	(702)	(424)
Income taxes	(345)	(322)
Deferred compensation	65	61
Net Cash provided by Operating Activities	$ 5,386	$ 1,239
Cash Flows from Investing Activities:		
Change in other assets	(260)	(20)
Capital expenditures	(9,587)	(3,420)
Net Cash used by Investing Activities	$(9,847)	$(3,440)
Cash Flows from Financing Activities:		
New long-term debt	700	2,560
Principal payments on long-term debt and capital lease obligations	(223)	(971)
Unexpended industrial revenue bond proceeds	4,138	--
Proceeds from issuance of stock	9	18
Net Cash provided by Financing Activities	$ 4,624	$ 1,607
Net increase (decrease) in Cash and Cash Equivalents	163	(594)
Cash and Cash Equivalents at Beginning of Year	523	740
Cash and Cash Equivalents at July 3	$ 686	$ 146

Disclosure of cash payments for:

Interest	$ 183	$ 171
Income taxes	1,164	1,188

See notes to financial statements.

ASTRONICS CORPORATION

Notes to Financial Statements
July 3, 1999

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 six-month period ended July 3, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999.

The balance sheet at December 31, 1998 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 1998 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)	July 3, 1999 (Unaudited)	December 31, 1998
Finished goods	$ 1,789	$ 1,357
Work in progress	672	1,064
Raw material	4,196	2,514
	$ 6,657	$ 4,935

3) Other liabilities consist of the following:

(in thousands)	July 3, 1999 (Unaudited)	December 31, 1998
Long-Term Debt	$ 11,599	$ 11,319
Long-Term Obligations under Capital Leases	585	789
Deferred Income Taxes	1,162	1,070
Deferred Compensation	2,047	1,982
	$ 15,393	$ 15,160

ASTRONICS CORPORATION

Notes to Financial Statements (Continued)
July 3, 1999

4) The Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," at

December 31, 1998 which changes the way the Company reports information about its operating segments.

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 known 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.

(in thousands)	Six Months Ended July 3, 1999		Three Months Ended July 4, 1998	
	Aerospace and Electronics	Specialty Packaging	Aerospace and Electronics	Specialty Packaging
Sales to external customers	$ 13,075	$ 10,383	$ 11,669	$ 9,684
Income before taxes	1,859	803	1,855	417
Segment assets	20,587	27,247	13,057	21,772

The Aerospace and Electronics segment has moved into a new 80,000 square foot facility which will replace four leased facilities in its New Hampshire operation. Also, during the Quarter ended July 3, 1999, they started construction of a 70,000 square foot manufacturing facility in New York.

The segment asset value changed from July 4, 1998 to July 3, 1999 as follows:

(in thousands)	Aerospace and Electronics	Specialty Packaging
July 4, 1998	$ 13,057	$ 21, 772
Land acquisitions	1,100	-
Building construction	6,000	-
Die Cutting equipment	-	2,700
Finishing equipment	-	1,600
Material processing equipment	-	600
Other, net	430	575
July 3, 1999	$ 20,587	$ 27,247

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

(in thousands)	Six Months Ended July 3, 1999	Six Months Ended July 4, 1998
Income before taxes from segments	$2,662	$2,272
Corporate income, net	108	183
Income before taxes	$2,770	$2,455

5) On July 1, 1999, the Company renegotiated its financial

arrangements, including changing financial institutions. As a result of the changes, the Company's Revolver is a five-year program with a $12,000,000 line, with interest at the bank's prime rate, or LIBOR plus 60 basis points. At the end of five years, the Company may convert the outstanding balance to a four-year term loan. The Company also changed the letter of credit arrangement and the remarketing agreement on the Industrial Revenue Tax-Exempt Bonds issued through the Business Finance Authority of the State of New Hampshire. The new letter of credit is 50 basis points vs. 75 basis points under the previous agreement. The Company also arranged the financing for the Industrial Revenue Tax-Exempt Bonds to be issued through the County of Erie, State of New York, in connection with the construction of the Aerospace and Electronics segment's construction project in New York. It is anticipated that this will close late in the Third Quarter. The financial terms are similar to the New Hampshire transaction.

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 Six months ended July 3,		Period-to-Period Increase (Decrease)
	1999	1998	1998-1999
Net Sales:			
Aerospace and Electronics	55.7%	54.7%	12.0 %
Specialty Packaging	44.3	45.3	7.2 %
	100.0%	100.0%	9.9 %
Cost of products sold	70.6	70.0	10.7 %
Selling, general and administrative expenses	17.2	17.6	7.3 %
Interest expenses, net	.4	.9	(51.1)%
	88.2%	88.5%	9.4 %
Income before provision for income taxes	11.8%	11.5%	12.8 %
Provision for taxes	4.0	4.2	5.8 %

Net Income	7.8%	7.3%	16.8 %

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. This business segment 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.

On July 1, 1999, the Company established a $12,000,000 five-year revolving line of credit at the bank's prime rate or LIBOR plus

60 basis points. The revolver can be converted to a four-year term loan at the end of five years.

The Aerospace and Electronics segment completed construction on a new 80,000 square foot building in Lebanon, New Hampshire late in the Second Quarter and has moved most of their production into the new facility. This will allow the Company to consolidate its New Hampshire operations, currently in four leased locations, into a single facility.

On March 17, 1999, The Erie County Industrial Development Agency, Buffalo, NY authorized the issuance and sale of Tax-Exempt Industrial Revenue Bonds up to $7,500,000 for Luminescent Systems, Inc. to acquire land and construct a new manufacturing facility in East Aurora, NY. On May 12, 1999, the Company acquired 14.9 acres of land and has started construction of a 70,000 square foot facility on this new property. The Company plans to close the tax-exempt bond transaction late in the Third Quarter.

On April 24, 1998, the Company announced that the United States Air Force (USAF) had selected its Luminescent Systems Inc. subsidiary to design, develop and manufacture night vision lighting modification kits for the NVIS F-16 program. The contract with the Air Force is potentially valued in excess of $50,000,000. The initial award is for 377 F-16 aircraft to be completed in year 2000 for a revenue value in excess of $16,000,000. The USAF exercised its second option on February 10, 1999 for an additional 305 units for approximately $13,500,000. An additional 474 units, upon exercise of the government's option, would be manufactured in the following years.

On December 30, 1998, the Company closed an Industrial Revenue tax-exempt bond with the Business Finance Authority of the State of New Hampshire for $7,250,000. The interest rate floats with tax exempt funds and is reset every seven days. These funds are being used to finance the new Lebanon, New Hampshire facility and manufacturing equipment for expanded production needs.

During the Third Quarter of 1998, the New Hampshire operations of the Aerospace and Electronics segment received their ISO 9001 certification. In the Third Quarter of 1997,

the Specialty Packaging segment received its ISO 9001 certification.

SALES Sales set a new record for Second Quarter, and for the six-month period ended July 3, 1999. The three-year comparative sales for the first six months of the year can be seen in this table:

	1999	1998	1997
Aerospace and Electronics	$13,075	$11,669	$ 9,782
Specialty Packaging	10,383	9,684	9,531
	$23,458	$21,353	$19,313

Sales increased for the Quarter by 8.1 percent in 1999, and 6.3 percent in 1998. Sales for the first half of 1999 increased 9.9 percent, compared to 10.6 percent in the first half of 1998. On a trailing twelve months basis, sales increased 12.0 percent in 1999 and 11.9 percent in 1998.

Sales in the Aerospace and Electronics business segment increased 12.0 percent in the first half of 1999, compared to 19.3 percent in 1998, while they were nominally the same in 1997, based on continuing operations. Sales in 1999 have mainly increased in aircraft cockpit lighting systems. Sales in 1998 were strong in formation lighting systems, panels for airplane cockpit systems, and egress lighting systems for commercial airplanes.

Sales in the Specialty Packaging segment increased 7.2 percent in the first half of 1999 compared to being nominally (1.6 percent) the same in 1998 and compared to 16.7 percent in 1997. In 1999, sales increases have come in the medical and consumer care products areas. In 1998, sales were affected by customer timing, reflecting closer management of their inventories. The Company continues to expand its market share through focus on customer service with on-time deliveries, high quality products and short turnaround times.

BACKLOG The Company's backlog increased 111.9 percent over the Second Quarter of 1998 to a new record of $43,226,000. The backlog at July 4, 1998 was $20,401,000. This compares to $29,887,000 as of December 31, 1998. The backlog at the end of the Second Quarter of

1997 was $11,048,000. The backlog is composed of $40,602,000 in the Aerospace and Electronics segment and $2,624,000 in the Specialty Packaging segment.

EXPENSES Cost of products sold increased to 70.6 percent of sales in 1999 compared to 70.0 percent of sales in 1998, and compared to 68.6 percent in 1997. The increased cost in 1999 was experienced in manufacturing supplies costs and increased depreciation, both of which increased .7 percent. The increase in 1998 reflected higher material and employee costs. The table below shows the material and employee costs for the past three years for the six-month period:

	1999	1998	1997
Material	19.4%	20.4%	19.7%
Employee costs	30.6%	29.9%	28.8%

The employee cost increase reflects additional personnel supporting the technical aspects of the businesses. While product costs increased at a greater rate than sales in 1999, 10.7 percent compared to a 9.9 percent sales increase, and in 1998, 12.9 percent compared to 10.6 percent increase in sales, actual Gross Profit dollars increased to $6,898,000 in 1999, compared to $6,400,000 in 1998, and compared to $6,073,000 in 1997.

Selling, general and administrative expenses, which tend to be more fixed in nature, continued to decrease as a percentage of sales: 17.2 percent of sales in 1999, 17.6 percent of sales in 1998, and 19.8 percent of sales in 1997. The majority of these costs are as follows:

	1999	1998	1997
Employee costs	10.3%	10.6%	10.8%
Marketing costs	2.4%	2.5%	2.8%
Operating supplies	2.3%	2.6%	2.5%

Operating income was $2,858,000, or 12.2 percent of sales in 1999, $2,635,000, or 12.3 percent of sales in 1998, and $2,248,000, or 11.6 percent of sales in 1997.

INTEREST Interest costs, net, decreased. In 1999, the net expense was $88,000, or .4 percent of sales compared to $180,000, or .9 percent of

sales in 1998, and $235,000 or 1.2 percent of sales in 1997. In 1999, the Company earned money on the Unexpended Industrial Revenue Bonds proceeds while they were held in trust. The interest costs on the December 1998 bonds were capitalized as part of the cost of the facility through the Second Quarter. As the project is now completed, the interest costs will be an expense item, starting in the Third Quarter. Gross interest expense was $155,000 in 1999, $180,000 in 1998, and $248,000 in 1997.

SUMMARY As a result of the continuing increases in sales at a greater rate than the increase of total expenses, income before taxes increased to 11.8 percent of sales in 1999, compared to

11.5 percent of sales in 1998, and compared to 10.4 percent of sales in 1997. The Company reported income before taxes of $2,770,000 in 1999, compared to $2,455,000 in 1998, and compared to $2,013,000 in 1997.

TAXES The Company's tax provision takes into account the federal and state taxes for which it is liable. The Company records its tax expense under the FASB 109 guidelines. As of January 1, 1999, the Company established Astronics Foreign Sales Corporation to reduce its tax on sales to international locations. The 1999 provision for taxes was 4.0 percent of sales compared to 4.2 percent of sales in 1998, and compared to 4.1 percent of sales in 1997. The 1999 provision for taxes is $941,000, compared to the 1998 provision for taxes of $899,000 and compared to the 1997 tax provision of $784,000.

NET INCOME Net income for the First Half of 1999 established a new record: $1,829,000, or $.31 per diluted share, compared to $1,566,000, or $.26 per diluted share in 1998, and compared to $1,229,000, or $.21 per diluted share in 1997.

LIQUIDITY Cash flow from operating activities was $5,386,000 in 1999, compared to $1,239,000 in 1998, and compared to $1,748,000 in 1997. This large increase reflects special terms on payment for Die Cutting equipment that requires final payment in January 2000, for $2,400,000, and for delayed payment terms on F-16 inventory component purchases of approximately $800,000. These items account for the majority of the change in increased accounts payable. The cash generation was lower in 1998 as the Company invested in

receivables and inventory. The Company invested $9,587,000 in its capital investment program in the First Half of 1999, mainly land, building construction and specific manufacturing equipment, compared to $3,420,000 in new equipment in 1998, and compared to $1,882,000 for equipment in 1997.

The Company borrowed $700,000 from its revolving line of credit in 1999, compared to $2,560,000 in 1998. The Company reduced its indebtedness in 1999 by $233,000, compared to $971,000 in 1998. In May 1998, the Company made the final installment on a five-year term loan.

During the first six months of 1999, the Company withdrew $4,138,000 of unexpended Industrial Revenue Bonds funds and utilized them towards the New Hampshire building construction.

The Company has a $12,000,000 revolving line of credit available for additional working capital needs, of which it had utilized $4,500,000 at July 3, 1999, compared to $4,200,000 at the end of the Second Quarter of 1998, and compared to $3,450,000 at the end of the Second Quarter of 1997. 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 1999.

COMMITMENTS The Company has outstanding commitments for capital investments of approximately $4,800,000 at July 3, 1999, which is mainly the construction of a new facility in New York, compared to $2,800,000 at July 4, 1998, and compared to $4,000,000 at June 28, 1997. During the Second Quarter of 1997, the Company repurchased its shares of common stock owned by ATRO Companies Profit Sharing/401(k) Plan for $532,000. The Company has commitments for items that it purchases in the normal ongoing 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.

YEAR 2000 The Company employs several different computer systems for financial, engineering, manufacturing and administrative purposes. The Company purchases these systems, both

hardware and software. Therefore, it does not have programmers writing code internally. During 1998 and 1997, the Company installed upgrades to some of its systems that are Year 2000 compliant and switched software for other functions that are Year 2000 compliant. All operating systems are now Year 2000 compliant, except for the Human Resources system and a voice mail system. The Company is currently switching to a new Payroll/Human Resources system, which should be operational by the end of the Third Quarter. The software for the voice mail system is in house, waiting to be installed.

The Company has tested various systems and will continue to test applications it runs, as well as those it interfaces with including customers, vendors, and other outside sources. The Company believes it is ready for Year 2000 except for the above-mentioned programs. The total invested for software upgrades to date is approximately $150,000 and the Company's budget for additional upgrades and new software in 1999 is approximately $40,000.

The Company has interfaced with the suppliers of production, engineering and administrative equipment that have embedded chips in their products. The Company is seeking full assurances that these are either Year 2000 compliant, have no date sensitivity, or that necessary upgrades will be available by September 30, 1999.

The major risk that the Company faces is in its suppliers of utilities, mainly electric, natural gas, and telecommunication. These vendors have stated that they have tested their systems and that they are compliant. They have stated that they do not anticipate any problems. Another area of risk is that several key pieces of manufacturing equipment are made in Europe, where companies reportedly are slowly addressing the Year 2000 issues. The Company plans to have assurance from these suppliers that they have adequate parts in U.S.A. warehouses with Year 2000 compliant delivery systems. If assurances are not adequate, the Company will increase its inventory of vital spare parts. The Company has no other specific contingency plans.

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: August 16, 1999

ASTRONICS CORPORATION

/S/ John M. Yessa

(Signature)
John M. Yessa
Vice President-Finance and Treasurer

EXHIBIT 11

COMPUTATION OF PER SHARE EARNINGS

	(in thousands, except for per share data) Quarter Ended July 3	
	1999	1998
Net income	$ 1,829	$ 1,566
	======	======

Basic earnings per share weighted

average shares	5,572	5,532
Net effect of dilutive stock options	386	383
Diluted earnings per share weighted average shares	5,958	5,915
Basic earnings per share	$ .33	$ .28
Diluted earnings per share	$ .31	$ .26

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