

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, 2000

Commission file number: 0-7087

**ASTRONICS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**New York**

(State or other jurisdiction of incorporation or organization)

**16-0959303**

(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 10-K or any amendment to this Form 10-K. (    )

As of March 7, 2001, 5,311,793 shares of Common Stock and 1,047,963 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 \$85,093,535.

Documents incorporated by reference:

Portions of the Company's 2000 Annual Report to Shareholders are incorporated into Parts II and III of this Report. Portions of the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders dated March 19, 2001 are incorporated by reference into Part III of this Report.

**PART I**

**Item 1. BUSINESS**

Operations in different industries on page 16 of the Annual Shareholders' Report for the year ended December 31, 2000 is incorporated herein by reference.

General Development of Business

The major factors affecting the development of the business in 2000 are discussed under the caption "Net Sales" on page 19 of the Annual Shareholders' Report for the year ended December 31, 2000, and is incorporated herein by reference.

Sources and Availability of Raw Materials

"Market Risk" on page 22 of the Annual Shareholders' Report for the year ended December 31, 2000 is incorporated herein by reference.

Seasonality

The Printing and Packaging segment is somewhat seasonal. Typical annual business patterns see 55 – 60% of this segment's revenues realized in the second half of the year, with the fourth quarter generally being the strongest.

Practices as to Maintaining Working Capital

"Liquidity" on page 21 of the Annual Shareholders' Report for the year ended December 31, 2000 is incorporated herein by reference.

## 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.

## Backlog

"Backlog" on page 21 of the Annual Shareholders' Report for the year ended December 31, 2000 is incorporated herein by reference.

## 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, the Company 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 electroluminescence, 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 Company employed approximately 703 employees as of December 31, 2000, including 435 in the Aerospace and Electronics segment, 268 in the Printing and Packaging segment and 6 at the corporate level, compared to 521 as of December 31, 1999, including 299 in the Aerospace and Electronics segment, 216 in the Printing and Packaging segment and 6 at the corporate level as of that date. The Company considers its relations with its employees to be good.

## **Item 2. PROPERTIES**

### Corporate Headquarters

The Company's corporate office occupies approximately 2,000 square feet at 1801 Elmwood Avenue, Buffalo, NY 14207, in a building which is shared with the Printing and Packaging segment.

### Aerospace and Electronics

The Company owns manufacturing and office facilities of approximately 115,000 square feet in the Buffalo, New York area and 80,000 square feet in Lebanon, New Hampshire.

### Printing and Packaging

The Company owns buildings totaling approximately 250,000 square feet in the Buffalo, New York area for its manufacturing and office facilities.

The Company believes that its properties are suitable and adequate for the purpose for which they are employed. Additions and expansions are made as needed. In general, the capacity of the Company's properties are in excess of its current requirements.

## **Item 3. LEGAL PROCEEDINGS**

There are no material pending legal proceedings, other than 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.

## **PART II**

## **Item 5. MARKET FOR THE COMPANY'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 back cover and pages 18 and 24 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2000, and is incorporated herein by reference.

## **Item 6. SELECTED FINANCIAL DATA**

Selected Financial Data appears on page 18 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2000, and is incorporated herein by reference.

## **Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's discussion and analysis of financial condition, changes in financial condition and results of operations appears on pages 19 through 22 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2000, and is incorporated herein by reference.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk disclosures appear on page 22 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2000, and is incorporated herein by reference.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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 19, 2001, 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 19, 2001 and on the back inside cover of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2000, 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 19, 2001 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 19, 2001, and is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

As of March 19, 2001, the Company knows of no relationships required to be disclosed pursuant to Item 404 of Regulation S-K.

**PART IV**

**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. Consolidated Financial Statements
2. Financial Statement Schedules

See Index to Financial Statements and Financial Statement Schedules.

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

<u>Exhibit No.</u>	<u>Description</u>
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, 1996 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.
10.2*	Incentive Stock Option Plan; incorporated by reference

to the Registrant's definitive proxy statement dated March 26, 1982.

- 10.3\* Director Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 16, 1984.
- 10.4\* 1992 Incentive Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 30, 1992.
- 10.5\* 1993 Director Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 19, 1993.
- 10.6\* 1997 Director Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 14, 1997.
- 10.7\* 2001 Incentive Stock Option Plan; incorporated by reference to the Registrant's definitive proxy statement dated March 19, 2001.
- 10.8\* Non-Qualified Supplemental Retirement Plan; incorporated by reference from the Registrant's 1999 Annual Report on Form 10-K.
- 13 2000 Annual Report to Shareholders; filed herewith. (Except for those portions which are expressly incorporated by reference in this 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 on Form 10-K.)
- 21 Subsidiaries of the Registrant; filed herewith.
- 23 Consent of Independent Auditors; filed herewith.

\* Identifies a management contract or compensatory plan or arrangement as required by Item 14(a)(3) of Form 10-K.

(b) Reports on Form 8-K

None

## ASTRONICS CORPORATION

### INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The consolidated financial statements, together with the report thereon of Ernst & Young LLP dated January 19, 2001, appearing on pages 6 to 17 of the accompanying 2000 Annual Report to Shareholders are incorporated by reference in this Annual Report on Form 10-K.

Financial schedules for the years 2000, 1999, and 1998:

Valuation and Qualifying Accounts (set forth below)

### **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
----	-----	-----	-----	-----	-----
2000	Allowance for Doubtful Accounts	\$178	\$ 54	\$ (50)	\$182
1999	Allowance for Doubtful Accounts	\$238	\$ (55)	\$ (5)	\$178
1998	Allowance for Doubtful Accounts	\$227	\$ 74	\$ (63)	\$238

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 19, 2001.

Astronics Corporation

/s/ Kevin T. Keane  
Kevin T. Keane, President  
and Chief Executive Officer

/s/ C. Anthony Rider  
C. Anthony Rider, 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 ----
<u>/s/ Robert T. Brady</u> Robert T. Brady	Director	March 19, 2001
<u>/s/ John B. Drenning</u> John B. Drenning	Director	March 19, 2001
<u>/s/ Peter J. Gundermann</u> Peter J. Gundermann	Director	March 19, 2001
<u>/s/ Daniel G. Keane</u> Daniel G. Keane	Director	March 19, 2001
<u>/s/ Kevin T. Keane</u> Kevin T. Keane	Director	March 19, 2001
<u>/s/ Robert J. McKenna</u> Robert J. McKenna	Director	March 19, 2001

**ASTRONICS CORPORATION**

**INDEX TO EXHIBITS**

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## A YEAR OF RECORD

Astronics Corporation  
2000 Annual Report

### ASTRONICS CORPORATION

Astronics Corporation 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, cabins, and exteriors. 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 confectionery store operators. Custom folding cartons are also manufactured for a wide range of industrial and consumer products companies. In addition, this segment custom prints invitations, napkins and accessories for all social and business events. Printed office products include business cards, post cards and presentation folders.

Both business segments hold leadership positions in the markets they serve. These leadership positions have been achieved by following core principles and specific growth strategies including select market penetration, strong customer relationships and technically superior products and processes. Both businesses share an aggressive commitment to be the clear choice over competitors and will continue to do so by investing well ahead of market demand. Future growth will be fueled by disciplined actions to further penetrate our customer base and obtain new customers with existing product offerings. In addition, Astronics is prepared to readily capitalize on market changes. Our financial strength will allow us to be aggressive into the future and pursue calculated risks in line with proven strategies. We have built a solid foundation in both business segments and expect to continue on this course of record growth.

Some of this year's records include:

42% Sales Increase for a total of \$71,968,000.

27% Earnings Increase for a diluted share of \$ .93.

Return on Equity exceeded 21%.

Astronics has for the third consecutive year, been ranked in Forbes Top 200 Best Small Companies.

### MESSAGE TO OUR SHAREHOLDERS

2000 was a great year of high performance and success throughout each of our business initiatives of Aerospace-Electronics and Printing-Packaging. Substantial records were realized in earnings and sales, and these achievements are now some of the early indicators of expectations for the upcoming year of 2001.

In addition to a 27 percent increase in earnings and a 42 percent increase in sales, return on equity exceeded 21 percent. During 2000, we completed a two-year program of commitments to expand facilities, processes and product development. Over this two-year period, \$19 million of capital expenditures were made of which \$4 million was expended during the last twelve months. In addition, over \$3.6 million was expended for acquisitions. These investments will serve not only immediate growth but also be applied to development over the next few years.

Because of our high cash flows from earnings and depreciation, EBITDA exceeded \$13 million or 18 percent of sales. Concurrently, our long-term debt to capitalization ratio declined from 36 percent to 34 percent of sales.

At year-end our backlog was \$40 million, of which the most important component is for the F-16 program that is expected to realize its best output in 2001. Present and pending commitments for the year 2001 should further propel our sales past the \$85 million mark. With that level of achievement, we expect another very strong year.

Behind these performance indicators are a series of initiatives focusing on advancing our technology and processes. The intent is to remain clearly at the forefront in product and market developments in each of our product lines. The industries in which we compete reflect mature business profiles, characterized by slow growth and weak earnings levels. We continue to see a great deal of consolidation and realignment. In contrast, we expect to continue increasing sales and earnings at a pace that is well beyond these industry norms because of our strategic persistence in seeking breakout opportunities to develop new products in existing and new markets.

In the last analysis, none of this can and will occur without the dedicated commitments to excellence repeatedly demonstrated by our growing ranks of great employees. Together we look forward to another very strong year.

Kevin T. Keane

/S/Kevin T. Keane

President and Chief Executive Officer  
January 22, 2001

### AEROSPACE AND ELECTRONICS

Some of this year's records include:

73% increase in Sales reaching over \$45,000,000.

Profits up 67% over 1999.

Backlog of \$37,000,000.

MaxEL sales double.

Two acquisitions to support cockpit lighting systems  
and NVIS Mods (F-16).

The Aerospace and Electronics segment of Astronics manufactures cockpit lighting systems, cabin lighting systems, and external lighting systems for aircraft manufacturers and operators around the world. Strategically striving to be the OEM's sole source or preferred provider, our customers include Boeing, Airbus, Cessna, Raytheon, United Airlines, Virgin Atlantic, Honeywell, Collins and Sextant.

We are in the midst of upgrading the US Air Force's fleet of F-16 fighters with night vision compatible lighting systems. This program achieved volume deliveries in 2000 and was the major contributor to the sales increase for Aerospace and Electronics, totaling over \$16,000,000. Anticipated shipments of \$24,000,000 are scheduled for 2001. This leverage and credibility in the marketplace will allow Astronics to expand its Aerospace and Electronics lighting and avionics business to other international military night vision opportunities as well as numerous commercial applications.

Astronics made two important acquisitions in 2000. Both had immediate benefits to the F-16 program and both have excellent long term potential as part of Astronics. The first was CRL Technologies, renamed Luminescent Systems Canada, a high quality manufacturer of avionics keyboards. In addition to bringing the needed capacity to help execute our F-16 program, we have gained strong relationships with avionics manufacturers around the world. The second acquisition was a line of cockpit indicators, critical to our F-16 program. With its advanced optics technology and manufacturing capability, this product line will prove useful in other programs in the future. These two acquisitions increase the in-house content of the F-16 program which is critical to our strategy, strengthens the financial return from the program and better positions us as a complete cockpit lighting systems integrator. A steady stream of spare parts business, which we expect to continue and grow, has also begun off of the F-16 program.

Aerospace and Electronics is a producer of electroluminescent lamps for a variety of portable electronic applications including LCD displays, keypads, watches, cellular phones and personal digital assistants. Sales in this product line doubled in 2000, as it had for the previous two years. With our break-through technology, our strong market position, and solid financial support, we are well positioned for exciting opportunities in this rapidly growing area. Anticipating this growth, we have invested \$2,000,000 in manufacturing upgrades and equipment.

2000 was a year of major accomplishments and achievements for Astronics' Aerospace and Electronics operations, with solid sales and earnings growth. We have even higher expectations for 2001 and feel very well positioned to capitalize on the exciting opportunities the new year will offer us.

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#### PRINTING AND PACKAGING

Some of this year's records include:

Annual sales up 9% totalling over \$26,000,000.

Continued growth rate at double the industry average.

Daily shipments to over 200 locations outside the U.S.

Internet sales channel exceeded \$700,000.

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Astronics' Printing and Packaging segment continues to be the dominant North American manufacturer of stock folding cartons for small to medium size confectionery store operators. Custom folding cartons for a wide range of industrial and consumer products companies are a growing part of our business. We also custom print invitations, napkins and accessories for all social and business events. Printed office products include business cards, post cards and presentation folders.

Our success has been built on identifying core markets while continually investing in state of the art equipment, technology and training. A complete digital workflow from ordering, to artwork, to printing, and delivery, passes through one of the most modern plants in North America. Boasting one of the larger sheet fed facilities in the world, Astronics' Printing and Packaging business has been able to provide the customer service and responsiveness of a small company with the technology and know-how of a major print house. We are not burdened by the heavy costs of such print houses and have been able to strategically capitalize on the consolidation in the industry. One operating discipline is to focus our efforts in select markets and be the customer's clear advantage. Our solid financial capacity allows us to continue our principle of investing ahead of market needs, maintaining the most advanced digital process technology, and further penetrate existing market sectors with new products as well as reaching to select new markets.

On one end of the spectrum, we have been able to increase sales with Hershey, Mentholatum and US Surgical, a division of TYCO, with demanding projects requiring quick cycle times, reduced inventory, and print sophistication. With this leverage, Astronics' Printing and Packaging is able to maintain a continuous effort to become and remain the dominant supplier. On the other end, we have expanded our presence in the short-run print markets via new relations with internet distributors. We have developed the infrastructure to handle a high volume of print orders on a just-in-time basis. The rapid growth of this on-demand print market has inspired our Printing and Packaging segment to design a process flow that can handle 10,000 orders per day. This new product offering will continue to be expanded to serve the needs of the Small Office/Home Office (SOHO) market.

We have stepped up efforts to integrate our smaller personalized imprinting and finishing division with our larger printing and packaging capabilities. This allows us to fully service our key customers when they have very small runs. We are always looking for ways to add high value and meet more needs of our existing customers, thus strengthening these relationships and allowing us to pursue new opportunities. Over the

year, this integration has also lent itself to an internet presence with existing products through an on-line store, allowing users to easily place orders.

We will continue to look for and forge additional partnerships that fit our business plan. We expect another great year with accelerated sales gains and record achievements.

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Astronics Corporation

## Consolidated Financial Statements

### CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)	Year ended December 31,		
	2000	1999	1998
<b>Net Sales</b>	\$71,968	\$50,637	\$46,073
<b>Cost and Expenses</b>			
Cost of products sold	52,770	36,086	31,214
Selling, general and administrative expenses	9,590	7,362	7,765
Interest expense, net of interest income of \$200, \$142 and \$2	678	257	376
<b>Income Before Taxes</b>	63,038	43,705	39,355
	8,930	6,932	6,718
Provision for income taxes	2,835	2,137	2,414
<b>Net Income</b>	\$ 6,095	\$ 4,795	\$ 4,304
<b>Earnings per Share</b>			
Basic	\$ .97	\$ .78	\$ .71
Diluted	\$ .93	\$ .73	\$ .66

See notes to financial statements.

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### CONSOLIDATED BALANCE SHEET

(in thousands, except share data)	December 31,	
	2000	1999
<b>Current Assets</b>		
Cash and cash equivalents	\$ 45	\$ 1,153
Accounts receivable, net of allowance for doubtful accounts of \$182 in 2000 and \$178 in 1999	12,837	6,852
Inventories	10,521	8,721
Prepaid expenses	512	455
<b>Total Current Assets</b>	23,915	17,181
<b>Property, Plant and Equipment, at cost</b>		
Land	1,505	1,466
Buildings and improvements	19,014	16,259
Machinery and equipment	36,928	34,144
Construction in progress	-	4,087
	57,447	55,956
Less accumulated depreciation and amortization	21,231	19,787
<b>Net Property, Plant and Equipment</b>	36,216	36,169
<b>Unexpended Industrial Revenue Bond Proceeds</b>	1,701	3,508
<b>Other Assets</b>	5,188	2,994
	\$67,020	\$59,852
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,276	\$ 762
Accounts payable	5,583	8,560
Accrued payroll and employee benefits	2,335	1,699
Other accrued expenses	573	551
Income taxes	427	166

Total Current Liabilities	10,194	11,738
<b>Long-term Debt</b>	17,746	15,947
<b>Supplemental Retirement Plan</b>	3,049	2,482
<b>Other Liabilities</b>	609	598
<b>Deferred Income Taxes</b>	1,232	1,250
<b>Shareholders' Equity</b>		
Common Stock, \$.01 par value		
Authorized 10,000,000 shares, issued		
5,434,403 in 2000; 5,327,112 in 1999	54	53
Class B Stock, \$.01 par value		
Authorized 5,000,000 shares, issued		
1,190,753 in 2000; 667,326 in 1999	12	7
Additional Paid-in Capital	3,100	2,912
Accumulated Other Comprehensive Income	7	-
Retained Earnings	31,809	25,727
	34,982	28,699
Less Treasury Stock: 289,460 shares in 2000; 319,405 shares in 1999	792	862
Total Shareholders' Equity	34,190	27,837
	\$67,020	\$59,852

See notes to financial statements.

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#### CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year ended December 31,		
	2000	1999	1998
<b>Cash Flows from Operating Activities</b>			
Net income	\$6,095	\$ 4,795	\$ 4,304
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,248	3,688	3,114
Provision for doubtful accounts	54	(60)	11
Provision for deferred taxes	129	180	248
Cash flows from changes in operating assets and liabilities, net of the effect of acquired or sold business:			
Accounts receivable	(5,086)	(1,357)	(1,003)
Inventories	(1,029)	(3,786)	(174)
Prepaid expenses	8	774	(814)
Accounts payable	(3,317)	5,621	375
Accrued expenses	348	165	143
Income taxes	319	(181)	(13)
Supplemental retirement plan and other liabilities	440	241	125
Net Cash provided by Operating Activities	2,209	10,080	6,316
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of assets	482	68	-
Change in other assets	(573)	(527)	(474)
Capital expenditures	(3,981)	(14,607)	(9,686)
Net payment for assets acquired	(3,616)	-	-
Net Cash used by Investing Activities	(7,688)	(15,066)	(10,160)
<b>Cash Flows from Financing Activities</b>			
New long-term debt	3,533	7,000	9,250
Principal payments on long-term debt and capital lease obligations	(1,220)	(2,845)	(1,194)
Unexpended industrial revenue bond proceeds	1,807	1,149	(4,657)
Proceeds from issuance of stock	273	312	234
Fractional shares paid on stock distribution	(7)	-	(6)
Purchase of stock for treasury	(15)	-	-
Net Cash provided by Financing Activities	4,371	5,616	3,627

Net (decrease) increase in cash and cash equivalents	(1,108)	630	(217)
Cash and Cash Equivalents at Beginning of Year	1,153	523	740
Cash and Cash Equivalents at End of Year	\$ 45	\$1,153	\$ 523
<b>Disclosure of Cash Payments for:</b>			
Interest	\$ 851	\$ 373	\$ 413
Income taxes	\$2,492	\$2,134	\$2,181

See notes to financial statements.

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## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(dollars and shares in thousands)

	Common Stock		Class B Stock		Treasury Stock		Accumulated			
	Shares Issued	Par Value	Shares Issued	Par Value	Shares	Cost	Paid-In Capital	Other Comprehensive Income	Retained Earnings	Comprehensive Income
Balance at December 31, 1997	4,643	\$ 46	716	\$ 7	342	\$1,015	\$2,520	\$ -	\$16,640	
Net Income for 1998									4,304	\$4,304
Stock Distribution	537	6			34				(12)	
Treasury Stock Sold					(27)	(73)	130			
Exercise of Stock Options	23						31			
Class B Stock converted to Common Stock		22	-	(22)	-					
Balance at December 31, 1998	5,225	\$ 52	694	\$ 7	349	\$ 942	\$2,681	\$ -	\$20,932	
Net Income for 1999									4,795	4,795
Treasury Stock Sold					(30)	(80)	153			
Exercise of Stock Options	76	1					78			
Class B Stock converted to Common Stock		26	-	(26)	-					
Balance at December 31, 1999	5,327	\$ 53	668	\$ 7	319	\$ 862	\$ 2,912	\$ -	\$25,727	
Net Income for 2000									6,095	\$ 6,095
Currency Translation Adjustments								7		7
Total Comprehensive Income										\$ 6,102
Stock Distribution			600	6					(13)	
Treasury Stock Sold					(31)	(85)	142			
Exercise of Stock Options	29		1				46			
Class B Stock converted to Common Stock		78	1	(78)	(1)					
Balance at December 31, 2000	5,434	\$ 54	1,191	\$ 12	289	\$ 792	\$ 3,100	\$ 7	\$31,809	

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## 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 and Expense 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. Shipping and handling costs are expensed as incurred and are included in costs of products sold.

### 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)	
	2000	1999
Finished Goods	\$ 2,740	\$ 1,936
Work in Progress	1,564	1,476
Raw Material	6,217	5,309
	-----	-----
	\$10,521	\$ 8,721
	-----	-----

### 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, 10-40 years; and machinery and equipment, 4-10 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

Goodwill, which is included in other assets, represents the excess of purchase price over the fair value of net tangible assets acquired, net of accumulated amortization, and amounted to \$2,698,000 and \$999,000 at December 31, 2000 and 1999, respectively. Accumulated amortization amounted to \$559,000 and \$432,000 at December 31, 2000 and 1999, respectively. Goodwill is amortized principally over 15 years on a straight-line basis, starting in the year of acquisition.

### Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets are reduced, if deemed necessary, by a valuation allowance for the amount of tax benefits which are not expected to be realized.

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### Earnings Per Share

Earnings per share computations are based upon the following table:

	(in thousands, except per share data)		
	2000	1999	1998
Net Income	\$6,095	\$4,795	\$4,304
Basic earnings per share			
weighted average shares,	6,265	6,167	6,096
Net effect of dilutive stock options	312	370	424
	-----	-----	-----
Diluted earnings per share			
weighted average shares	6,577	6,537	6,520
	-----	-----	-----
Basic earnings per share	\$ 0.97	\$ 0.78	\$ 0.71
	-----	-----	-----
Diluted earnings per share	\$ 0.93	\$ 0.73	\$ 0.66
	-----	-----	-----

All earnings per share calculations have been retroactively restated to reflect the effect of stock dividends.

### 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 transferred, 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.

### Long-lived Assets

The carrying value of long-lived assets to be held and used, including goodwill and other intangible assets is evaluated for recoverability whenever adverse effects or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognized if future undiscounted cash flows and earnings from operations are not expected to be sufficient to recover goodwill and other long-lived assets. The carrying amounts are then reduced by the estimated shortfall of the discounted cash flows.

### Note 2

#### Effect of New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize as either assets or liabilities in the balance sheet and measure those instruments at fair value. The intended use of the derivative and its designation as either (1) a hedge of the exposure to changes in the fair value of a recognized asset or liability or a firm commitment (a fair value hedge), (2) a hedge of the exposure to variable cash flows of a forecasted transaction (a cash flow hedge), or (3) a hedge of the foreign currency exposure of a net investment in a foreign operation (a foreign currency hedge), will determine when the gains or losses on the derivatives are to be reported in earnings and when they are to be reported as a component of other comprehensive income.

This new standard must be adopted for year 2001 financial reporting. At December 31, 2000, the Company did not have any material transactions that would require reporting under "Accounting for Derivative Instruments and Hedging Activities."

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### Note 3

#### Long-term Debt

Long-term debt consists of the following:

	(in thousands)	
	2000	1999
	-----	
Revolving Line of Credit with interest at LIBOR plus 60 basis points	\$ 4,133	\$ 1,400
Industrial Revenue Bonds issued through the Erie County, New York Industrial Development Agency payable \$350 annually through 2019 with interest reset weekly (4% at December 31, 2000)	7,000	7,000
Industrial Revenue Bonds issued through the Business Finance Authority of the State of New Hampshire payable \$400,000 annually through 2018 with interest reset weekly (5% at December 31, 2000)	7,250	7,250
Other	639	1,059
	-----	
	19,022	16,709
Less current maturities	1,276	762
	-----	
	\$ 17,746	\$ 15,947
	-----	

The Industrial Revenue Bonds are held by institutional investors and are guaranteed by a bank letter of credit, which is collateralized by certain property, plant and equipment assets. The revolving line of credit is unsecured and provides for borrowing up to \$12,000,000; interest is at bank prime or LIBOR plus 60 basis points. The line is available through June 30, 2004 and may be converted into a four year term loan. At December 31, 2000 and 1999, \$4,133,000 and \$1,400,000, respectively, was outstanding. The revolving line of credit, among other requirements, imposes certain covenants with which the Company maintains compliance.

Principal maturities of long-term debt over the next five years are as follows: \$1,276,000; \$916,000; \$905,000; \$4,974,000; and \$791,000.

Interest costs of \$164,000 and \$312,000 were capitalized in 2000 and 1999, respectively.

### Note 4

#### Acquisition of Montreal Operations

On May 15, 2000, the Company acquired all of the common stock of CRL Technologies Inc. (CRL) located near Montreal, Quebec, Canada for \$3,300,000 cash. The transaction was accounted for as a purchase. CRL designs and manufactures avionics keyboards. CRL's results of operations are included in the Company's statement of income since the acquisition date. The following unaudited pro forma information assumes CRL had been acquired at the beginning of 1999.

	(in thousands except per share data)	
	2000	1999
Net Sales	\$73,000	\$53,700
Net Income	6,180	4,970
Earnings per share - basic	.99	.80
Earnings per share - diluted	.94	.76

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## Note 5

### Stock Option and Purchase Plans

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

	2000		1999		1998	
	Options	Weighted Average Exercised Price	Options	Weighted Average Exercised Price	Options	Weighted Average Exercised Price
Outstanding at the beginning of the year	534,307	\$2.63	538,690	\$2.81	481,026	\$2.60
Options granted	97,791	\$9.16	110,436	\$8.57	67,869	\$8.23
Stock distribution	54,682	\$(.25)	-	-	47,135	\$(.25)
Options exercised	(62,039)	\$4.47	(106,232)	\$3.01	(49,942)	\$4.69
Options expired	(5,834)	\$7.23	(8,587)	\$7.82	(7,398)	\$8.29
Outstanding at the end of the year	618,907	\$4.38	534,307	\$3.88	538,690	\$2.81
Exercisable at December 31	454,833	\$2.87	398,696	\$2.63	435,221	\$2.10

Exercise prices for options outstanding as of December 31, 2000 range from \$.87 to \$10.50. The weighted average remaining contractual life of these options is 4.6 years.

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 No. 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 2000; risk-free interest rate of 6.5%; dividend yield of 0%; volatility factor of the expected market price of the Company's common stock of .44; and a weighted average expected life of the option of 4.65 years. The weighted average grant date fair value of options granted during the year was \$4.24.

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, 2000 is as follows: net income \$5,828,000; basic earnings per share \$.93; and diluted earnings per share \$.89. The pro forma effect on earnings for the year December 31, 1999 is as follows: net income \$4,568,000; basic earnings per share \$.74; and diluted earnings per share \$.70. The pro forma effect on earnings for the year ended December 31, 1998 is as follows: net income \$4,163,000; basic earnings per share \$.68; and diluted earnings per share \$.59.

The Company established the 1982 and 1992 Incentive 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 68,063 shares and 326,588 shares under the 1982 and 1992 Plans, respectively. At December 31, 2000, 745 options are available for future grant under the 1992 Plan.

The Company established the 1984, 1993 and 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 95,475 shares, 53,240 shares and 44,550 shares under the 1984, 1993 and 1997 Plans, respectively, at December 31, 2000. 76,450 options are available for future issuance under the 1997 Plan at December 31, 2000.

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 the year. The exercised 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, 2000 employees had outstanding options to purchase 30,991 shares at \$8.25 per share on September 30, 2001.

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**Note 6**

**Income Taxes**

The provision for income taxes consists of the following:

	(in thousands)		
	2000	1999	1998
Currently payable			
US Federal	\$2,349	\$1,807	\$2,009
Foreign	79	-	-
State	278	150	157
Deferred	129	180	248
	-----	-----	-----
	\$2,835	\$2,137	\$2,414
	-----	-----	-----

The effective tax rates differ from the statutory federal income tax as follows:

	2000	1999	1998
Statutory federal income tax rate	34.0%	34.0%	34.0%
Tax exempt items, net	.3%	.3%	.3%
Foreign taxes	.3%	-	-
State income tax, net of federal income tax benefit	(.1%)	1.4%	1.5%
Research and development credits	(1.7%)	-	-
Reduction in valuation allowance	(1.6%)	(3.2%)	-
Other	.5%	(1.7%)	.1%
	-----	-----	-----
	31.7%	30.8%	35.9%
	-----	-----	-----

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, 2000 and 1999 are as follows:

	(in thousands)	
	2000	1999
Long-term deferred tax liabilities:		
Tax depreciation over book depreciation	\$3,309	\$ 2,773
Net long-term deferred tax liability	\$3,309	2,773
Long-term deferred assets:		
State investment tax credit carryforwards	1,188	1,089
Deferred compensation	972	835
Other-net	369	198
Total long-term deferred tax assets	2,529	2,122
Valuation allowance for deferred tax assets related to investment tax credit carryforward	(452)	(599)
Net long-term deferred tax asset	2,077	1,523
Net long-term deferred tax liability	\$1,232	\$ 1,250

At December 31, 2000, the Company had state investment tax credit carryforwards of \$1,800,000 expiring through 2015.

**Note 7**

**Profit Sharing/401(k) Plan**

The Company has a qualified 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 sixteen 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 \$866,000, \$803,000 and \$779,000 in 2000, 1999 and 1998, respectively.

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## Note 8

### Supplemental Retirement Plan

In December 1999, the Company adopted a non-qualified supplemental retirement defined benefit plan (the "Plan") for certain executives. The Plan provides for benefits based upon average annual compensation and years of service, less offsets for Social Security and Profit Sharing benefits. It is the Company's intent to fund the benefits as they become payable. The following table sets forth the benefit obligation and amounts recognized in the balance sheet as of December 31, 2000 and 1999, and the net period cost for 2000.

	2000	1999
Change in Benefit Obligation		
Benefit Obligation at beginning of year	\$ 3,395	\$ -
Service Cost	39	-
Interest Cost	271	-
Actuarial Losses	195	-
Adoption of Plan	-	3,395
Benefit Obligation at end of year	\$ 3,900	\$ 3,395
Benefit Obligation at Year-End		
Unfunded Benefit Obligation	\$ 3,900	\$ 3,395
Unrecognized Prior Service Costs	(1,661)	(1,770)
Unrecognized Actuarial Loss	(195)	-
Net Amount Recognized	2,044	1,625
Amounts Recognized in Balance Sheet		
Accrued Expenses - Current	\$ 100	-
Supplemental Retirement Plan	3,049	2,482
Intangible Asset	(1,105)	(857)
Net Amount Recognized	\$ 2,044	\$ 1,625
Net Period Cost		
Service Cost - Benefits Earned During Period	\$ 39	\$ -
Interest Cost	271	-
Amortization of Prior Service Cost	109	-
Net Periodic Cost	\$ 419	\$ -
Discount Rate	7.5%	8.0%
Future Average Compensation Increases	5%	5%

The benefit obligation represents the actuarial present value of benefits attributed to employee service rendered assuming future compensation levels are used to measure the obligation. FASB Statement No. 87, "Employers' Accounting for Pensions," requires the Company to recognize a minimum pension liability equal to the actuarial present value of the accumulated benefit obligations. An intangible asset is required and has been recorded since the excess of the accumulated benefit obligation over the pension cost recognized relates to prior service costs.

## Note 9

### Selected Quarterly Financial Information

(unaudited) (in thousands, except for per share data)

	Quarter ended							
	Dec. 31, 2000	Sept. 30, 2000	July 1, 2000	April 1, 2000	Dec. 31, 1999	Oct. 2, 1999	July 3, 1999	April 3, 1999
Net Sales	\$23,309	\$17,408	\$16,101	\$15,150	\$15,162	\$12,017	\$11,133	\$12,325
Gross Profit	\$ 6,922	\$ 4,690	\$ 4,060	\$ 3,526	\$ 4,173	\$ 3,480	\$ 3,299	\$ 3,599
Income before tax	\$ 3,718	\$ 2,135	\$ 1,708	\$ 1,369	\$ 2,485	\$ 1,677	\$ 1,379	\$ 1,391
Net income	\$ 2,529	\$ 1,440	\$ 1,118	\$ 1,008	\$ 1,833	\$ 1,133	\$ 896	\$ 933

Basic earnings									
per share	\$ .40	\$ .23	\$ .18	\$ .16	\$ .30	\$ .18	\$ .15	\$ .15	
-----									
Diluted earnings									
per share	\$ .39	\$ .22	\$ .17	\$ .15	\$ .28	\$ .17	\$ .14	\$ .14	
-----									

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## Note 10

### Operations in Different Industries

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 included 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 confectionery 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 2000 and 1999, approximately 44% and 12% respectively, of Aerospace and Electronics' sales were to the US government. Corporate assets consist mainly of cash, cash equivalents and furniture and equipment.

		(in thousands)			
		Aerospace and Electronics	Printing and Packaging	Corporate	Consolidated
-----					
Sales to external customers:					
2000		\$45,504	\$26,464	\$ -	\$71,968
1999		26,312	24,325	-	50,637
1998		23,884	22,189	-	46,073
-----					
Interest expense, net:					
2000		\$ 350	\$ 50	\$ 278	\$ 678
1999		(51)	78	230	257
1998		4	105	267	376
-----					
Income before taxes:					
2000		\$ 4,977	\$ 3,865	\$ 88	\$ 8,930
1999		2,982	3,544	406	6,932
1998		3,694	2,840	184	6,718
-----					
Identifiable assets:					
2000		\$38,653	\$26,455	\$ 1,912	\$67,020
1999		30,831	26,445	2,576	59,852
1998		18,484	24,262	961	43,707
-----					
Capital expenditures:					
2000		\$ 2,428	\$ 1,316	\$ 237	\$ 3,981
1999		9,650	4,957	-	14,607
1998		3,796	5,872	18	9,686
-----					
Depreciation and amortization:					
2000		\$ 1,414	\$ 2,938	\$ 62	\$ 4,414
1999		883	2,754	51	3,688
1998		715	2,360	39	3,114
-----					
Sales by geographic locations:					
2000	North America	\$36,244	\$26,373	\$ -	\$62,617
	Europe	4,197	4	-	4,201
	South America	1,497	-	-	1,497
	Other	3,566	87	-	3,653
		-----	-----	-----	-----
		\$45,504	\$26,464	-	\$71,968
-----					
1999	North America	\$19,529	\$24,236	\$ -	\$43,765
	Europe	3,009	5	-	3,014
	South America	996	2	-	998
	Other	2,778	82	-	2,860
		-----	-----	-----	-----
		\$26,312	\$24,325	\$ -	\$50,637
-----					
1998	North America	\$16,899	\$22,138	\$ -	\$39,037

Europe	3,609	3	-	3,612
South America	1,807	-	-	1,807
Other	1,569	48	-	1,617
	\$23,884	\$22,189	\$ -	\$ 46,073

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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, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. 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, 2000 and 1999 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Buffalo, New York  
January 19, 2001

#### Management's Statement of Responsibility

The management of Astronics Corporation is responsible for the contents of the consolidated financial statements, which are prepared in conformity with generally accepted accounting principles. The consolidated financial statements necessarily include amounts based on judgements and estimates. Financial information elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

The Company maintains an accounting system which includes controls designed to provide reasonable assurance as to the integrity and reliability of the financial records and the protection of assets. The role of Ernst & Young LLP, the independent auditors, is to provide an independent examination of the consolidated financial statements and the underlying transactions in accordance with generally accepted auditing standards.

The Audit Committee of the Board of Directors, composed solely of directors who are not members of management, meets periodically with management and the independent auditors to ensure that their respective responsibilities are properly discharged.

**Kevin T. Keane**  
President and Chief Executive Officer

**C. Anthony Rider**  
Vice President-Finance, Treasurer and Chief  
Financial Officer

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#### FIVE YEAR COMPARISON OF SELECTED FINANCIAL DATA

(in thousands, except per share data)

	2000	1999	1998	1997	1996
<b>For the year:</b>					
Sales	\$71,968	\$50,637	\$46,073	\$40,972	\$38,371
Net income	6,095	4,795	4,304	3,551	2,657
Per share:					
Basic earnings per share	.97	.78	.71	.59	.45
Diluted earnings per share	.93	.73	.66	.55	.42
Shares used in computation of basic earnings per share	6,265	6,167	6,094	6,046	5,851
Shares used in computation of diluted earnings per share	6,577	6,538	6,524	6,452	6,320
<b>At end of year:</b>					
Total assets	\$67,020	\$59,852	\$43,707	\$30,241	\$29,865
Net investment in property, plant and equipment	36,216	36,169	24,994	18,160	17,642
Working capital	13,721	5,443	6,305	4,299	2,855
Long-term debt	17,746	15,947	12,108	3,304	5,398
Shareholders' equity	34,190	27,837	22,730	18,198	14,842

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 2, 2001 was 950.

	2000		1999	
First	\$7.95	- \$10.91	\$7.98	- \$10.40
Second	7.38	- 10.00	7.27	- 9.55
Third	8.41	- 10.00	6.08	- 11.48
Fourth	9.72	- 12.00	6.82	- 10.23

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## 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.

(dollars in thousands)	2000		1999		1998		period to period	
	\$	%	\$	%	\$	%	1999-2000	1998-99
Net sales								
Aerospace and Electronics	\$45,504	63.2	\$26,312	52.0	\$23,884	51.8	72.9%	10.2%
Printing and Packaging	26,464	36.8	24,325	48.0	22,189	48.2	8.8%	9.6%
	71,968	100.0	50,637	100.0	46,073	100.0	42.1%	9.9%
Cost of goods sold	52,770	73.3	36,086	71.3	31,214	67.7	46.2%	15.6%
Selling, general and administrative expenses	9,590	13.3	7,362	14.5	7,765	16.9	30.3%	(5.2)%
Operating Income	9,608	13.4	7,189	14.2	7,094	15.4	33.6%	1.3%
Other deductions:								
Interest expense, net	678	1.0	257	.5	376	.8	163.8%	(31.7)%
Income before taxes	8,930	12.4	6,932	13.7	6,718	14.6	28.8%	3.2%
Provision for income taxes	2,835	3.9	2,137	4.2	2,414	5.2	32.7%	(11.5)%
Net income	\$ 6,095	8.5	\$ 4,795	9.5	\$ 4,304	9.4	27.1%	11.4%

### Net Sales

Total sales for the year 2000 grew 42.1% over 1999 levels. The dollar value of the sales growth was over \$21 million. The Aerospace and Electronics segment accounted for \$19 million of this increase primarily as a result of the \$15 million dollar increase in shipments related to our night vision cockpit modification program with the USAF for the F-16. Net sales from the F-16 program were \$18.3 million in 2000. The balance of this segments' revenue increase for the year was \$4.4million – a robust 19%. Our acquisition of our Quebec operations in May comprised \$1.9 million of this. In addition our MaxEL lamp business contributed a significant portion as it grew to \$2.9 million for the year, an increase of \$1.4 million. Printing and Packaging's \$2 million sales increase was mostly in custom products.

Sales increased 9.9% in 1999 and were balanced between Aerospace and Electronics (52%) and Printing and Packaging (48%). Sales in the Aerospace and Electronics segment increased 10.2%. In 1999, the company realized \$3 million from the F-16 program. In addition, sales of its lamps increased 22%. Other product lines grew between 5% and 10 % except for emergency egress lighting systems, formation lighting systems and inverters, which experienced sales decreases. The Company's revenue for nonrecurring engineering charges decreased \$500,000 in 1999. In the Printing and Packaging segment sales increased 9.9% in 1999. This growth was in the custom designed boxes for customers in the confectionery, pharmaceutical and consumer product markets.

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### Expenses

As a result of product mix, cost of products sold increased to 73.3% of sales in 2000 which reduced gross margins by 2% over the 1999 levels. In Aerospace and Electronics, margins were dampened by the ramp-up of the F-16 program. The impact of this was most acute during the first three quarters of 2000 to be offset, in the fourth quarter, as a result of production volume as well as some improvements in F-16 production efficiencies. In the Printing and Packaging segment margins were slightly lower because of the increased levels of custom business.

The gross margin in 1999 was 28.7% compared to 32.3% for 1998. The product mix change resulting from the growth in Aerospace and Electronics sales accounted for most of this reduction. The direct costs on the F-16 program were higher than that experienced in other product lines. For example, material usage as a percent of sales was 23.2% in 1999 compared with 21.1% in 1998, which reflects the higher material content of the F-16 program.

Selling, general and administrative expenses have decreased as a percentage of sales in both 2000 and 1999. The majority of these costs

are for employee services, marketing expenses and operating supplies, which the company has been able to contain in proportion to sales growth.

Operating income increased by \$2,419,000 in 2000, a 33.6% increase compared to 1999. This was driven by sales volume, offset slightly by the reduced margins on sales. In 1999 operating income increased \$95,000, a modest 1.3% increase over the 1998 level, as most of the sales increase was offset by the lower margins experienced in 1999 compared to 1998.

### **Interest Expense**

Interest expense was up in 2000 due to rate increases and increased debt levels. For each of the three years in the period ended December 31, 2000 interest expense as a percent of sales was 1% or less.

### **Income Before Taxes**

Income before taxes increased by \$1,998,000 in 2000, a 28.8% increase compared to 1999. Similarly to operating income, this increase was driven by sales volume, offset slightly by the reduced margins on sales. In 1999 income before taxes increased \$214,000, an increase of 3.2% over the 1998 level, which exceeded the increase in operating income due to lower interest costs.

### **Income Taxes**

The Company's effective tax rate in 2000 was 31.7% up from the 30.8% effective rate realized in 1999. Both 2000 and 1999 compare favorably to 1998's effective rate of 35.9%. The effective tax rate in 2000 benefited from research and development credits and New York State investment tax credits while the 1999 rate benefited from a reduction in the valuation allowance for New York State investment tax credits.

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### **Liquidity**

Cash provided by operating activities in 2000 was \$2,209,000 as compared to \$10,080,000 in 1999 and \$6,316,000 in 1998. In 2000 working capital components consumed over \$8,000,000 in cash to support the company's growth. The increase in cash from operating activities in 1999 compared to 1998 is mainly due to the timing of paying vendor payables.

Our capital expenditures were down sharply in 2000 to just under \$4 million compared to over \$14million in 1999 and nearly \$10 million in 1998. We started the construction of the first of two new facilities for our Aerospace and Electronics segment in August of 1998. This facility was completed in 1999 while the second facility was started and completed in early 2000. The reduction in capital expenditures in 2000 was somewhat offset by \$3,616,000 expended for acquisitions. Financing activities in 2000 reflect the use of our revolving line of credit for the acquisitions. While in 1999 and 1998 the most significant financing activities were the industrial development bonds related to the new Aerospace and Electronics facilities.

The Company maintains an unsecured revolving line of credit for \$12,000,000 with interest at either the bank's prime rate or LIBOR plus 60 basis points. At June 30, 2004 the Company can convert the outstanding balance to a four-year term loan. The outstanding balance was \$4,133,000, \$1,400,000, and \$3,800,000 at December 31, 2000, 1999, and 1998, respectively.

The Company believes that the cash generated from operations combined with borrowing capacity under its Revolving Line of Credit are adequate to fund the needs for working capital and capital expenditures as forecasted for year 2001 operations.

### **Dividends**

In October 2000 and 1998, the Company paid a ten percent share distribution. The Company believes that its current investment programs (investments in increased capacity, technologies, processes and equipment, acquisitions, the reduction of debt, and the possible purchase of outstanding 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, 2000 and 1999, the Company's backlog was just over \$40,000,000, compared to approximately \$30,000,000 at December 31, 1998. Nearly 95% of the backlog is in Aerospace and Electronics. Approximately \$35,000,000 of the December 31, 2000 backlog is scheduled to ship in 2001.

### **Commitments**

At December 31, 2000, the Company had outstanding capital expenditure commitments of approximately \$4,100,000, compared to \$3,300,000 at December 31, 1999, and compared to \$7,100,000 at the end of 1998. The major outstanding commitment is for new production equipment for Printing and Packaging. 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.

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### **Market Risk**

The Company is subject to market interest rate risk from exposure to changes in interest rates based upon its financing, investing and cash management activities. The Company utilizes a mix of debt maturities along with both fixed-rate and variable-rate debt to manage its exposure to changes in interest rates. At December 31, 2000, most of the Company's debt was variable rate. The Company does not expect changes in interest rates to have a material adverse effect on its income or its cash flows in 2001. However, there can be no assurances that interest rates will not significantly change in 2001. A change of one percent in the interest rate would cause a change in interest expense for the year 2001 of approximately \$125,000, net of taxes.

Foreign currency risk is not material because nearly all the Company's sales and purchases are denominated in US dollars. The net asset

portion of the Company's Canadian operation does not pose a significant risk to exchange fluctuations.

The Company purchases paperboard for its Printing and Packaging segment. This amounts to approximately 20 percent of sales. The Company's backlog is normally less than 30 days of sales. The Company has inventory on hand for approximately one month's usage. Price changes in paperboard purchases would have a nominal effect on margins as each new order is quoted to reflect the current cost of the raw material. The Company purchases no other raw material or product component that, by itself, would have a material effect on the success of the Company as a result of pricing changes.

The company currently has adequate sources of supply for microencapsulated phosphor used in the MaxEL lamp product line.

#### **Forward Looking Statements**

This Annual Report to Shareholders contains certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are identified by the use of the words "believes," "expects," "intends," "anticipates" and words of similar import. Readers are cautioned not to place undue reliance on these forward looking statements as various uncertainties and risks could cause actual results to differ materially from those anticipated in these statements. These uncertainties and risks include (i) the timeliness of product deliveries by vendors and other vendor performance issues, (ii) a slowdown in anticipated orders from the U.S. government and other customers, and (iii) an inability to control the increased growth in expenses that will accompany the Company's anticipated sales growth, among others.

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#### **BOARD OF DIRECTORS**

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

John B. Drenning  
Secretary, Director,  
Astronics Corporation  
Partner in the law firm  
Hodgson Russ LLP

Peter J. Gundermann  
Director, Astronics Corporation,  
President, Luminescent Systems, Inc.

Daniel G. Keane  
Director, Astronics Corporation,  
President, MOD-PAC CORP

Kevin T. Keane  
Chairman of the Board, President  
and Chief Executive Officer,  
Director, Astronics Corporation

Robert J. McKenna  
Director, Astronics Corporation  
President, Acme Electric Corporation

#### **OFFICERS**

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

Donna L. Eckman  
Vice President, Krepe-Kraft

Leo T. Eckman  
President, Krepe-Kraft

Peter J. Gundermann  
President, Luminescent Systems, Inc.

Frank J. Johns, III  
Vice President, Luminescent Systems, Inc.

Daniel G. Keane  
President, MOD-PAC CORP

Kevin T. Keane  
Chairman of the Board, President and  
Chief Executive Officer, Astronics Corporation

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

Richard Miller  
Vice President, Luminescent Systems, Inc.

Phillip C. Rechin  
Vice President-Sales, MOD-PAC CORP

C. Anthony Rider  
Vice President-Finance and Treasurer,  
Chief Financial Officer, Astronics Corporation

Diane M. Sims  
Vice President-Marketing, Krepe-Kraft

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#### 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

Hodgson Russ LLP  
Buffalo, New York

#### INDEPENDENT AUDITORS

Ernst & Young LLP  
Buffalo, New York

#### 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 your previous and current addresses.

#### 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

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#### CONTACT INFORMATION

**Astronics Corporation**  
1801 Elmwood Avenue  
Buffalo, New York 14207

**Web Site:** [www.astronics.com](http://www.astronics.com)

**E-mail:** [invest@astronics.com](mailto:invest@astronics.com)

#### COMPANIES OF ASTRONICS

##### **Printing and Packaging:**

Krepe-Kraft,  
Blasdell, New York  
MOD-PAC CORP  
Buffalo, New York

##### **Aerospace and Electronics:**

Luminescent Systems Inc.,  
Lebanon, New Hampshire  
East Aurora, New York  
Luminescent Systems Europe  
B.V. B.A., Brussels, Belgium  
LSI-Quebec  
Dorval, Quebec  
Canada

ANNUAL MEETING

**April 26, 2001 - 10:00 A.M.**  
**Luminescent Systems Incorporated**  
**130 Commerce Way**  
**East Aurora, New York**

PRESS RELEASES AND INVESTOR CONFERENCE CALLS

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 2001 quarterly results are:

First Quarter - April 25, 2001  
Second Quarter - July 26, 2001  
Third Quarter - October 25, 2001  
Fourth Quarter - January 31, 2002

Conference calls are scheduled for 11:00 am on the above dates.

**EXHIBIT 21**

**ASTRONICS CORPORATION**

**SUBSIDIARIES OF THE REGISTRANT**

<u>Subsidiary</u>	<u>Ownership Percentage</u>	<u>State (Province), Country of Incorporation</u>
Luminescent Systems, Inc.	100%	New York, USA
MOD-PAC CORP	100%	New York, USA
LSI - Canada, Inc.	100%	Quebec, Canada

**EXHIBIT 23**

Consent and Report of Independent Auditors

Board of Directors  
Astronics Corporation

We consent to the incorporation by reference in this Annual Report on Form 10-K of Astronics Corporation of our report dated January 19, 2001, included in the 2000 Annual Report to Shareholders of Astronics Corporation.

Our audits also included the financial statement schedule of Astronics Corporation listed in Item 14(a) of this Annual Report on Form 10-K. 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 the Registration Statement on Form S-8 (No. 33-42981) and the Registration Statement on Form S-8 (No. 333-87463) pertaining to the Employee Stock Purchase Plan of Astronics Corporation of our reports dated January 19, 2001, 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 on Form 10-K.

We also consent to the incorporation by reference in the Registration Statement on 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 19, 2001, 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 on Form 10-K.

**ERNST & YOUNG LLP**

Buffalo, New York  
March 19, 2001