

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarterly period ended October 2, 2005

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 1-5109

TODD SHIPYARDS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 91-1506719
(State or other jurisdiction of (IRS Employer I.D. No.)
incorporation or organization)

1801- 16th AVENUE SW, SEATTLE, WASHINGTON 98134-1089
(Street address of principal executive offices - Zip Code)

Registrant's telephone number: (206) 623-1635

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 for 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 No

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant is a shell company
(as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 5,423,156 shares of the corporation's \$.01 par value common stock
outstanding at November 4, 2005.

PART I - FINANCIAL INFORMATION

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements contained in this Report which are not historical facts or information are "forward-looking statements." Words such as "believe," "expect," "intend," "will," "should," and other expressions that indicate future events and trends identify such forward-looking statements. These forward-looking statements involve risks and uncertainties which could cause the outcome to be materially different than stated. Such risks and uncertainties include both general economic risks and uncertainties and matters discussed in the Company's annual report on Form 10-K which relate directly to the Company's operations and properties. The Company cautions that any forward-looking statement reflects only the belief of the Company or its management at the time the statement was made. Although the Company believes such forward-looking statements are based upon reasonable assumptions, such assumptions may ultimately prove to be inaccurate or incomplete. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement was made.

ITEM 1.**FINANCIAL STATEMENTS****TODD SHIPYARDS CORPORATION****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

Periods Ended October 2, 2005 and October 3, 2004

(In thousands of dollars, except per share data)

	Quarter Ended		Six Months Ended	
	10/02/05	10/03/04	10/02/05	10/03/04
Revenues	\$ 70,761	\$ 36,620	\$ 137,644	\$ 68,715
Operating expenses:				
Cost of revenues	53,269	23,978	103,104	45,364
Administrative and manufacturing overhead expenses	11,212	9,323	24,885	18,339
Environmental reserve provision	-	125	-	125
Insurance settlements	(72)	(38)	(135)	(54)
Total operating expenses	64,409	33,388	127,854	63,774
Operating income	6,352	3,232	9,790	4,941
Investment and other income	376	220	661	406
Gain(loss) on available-for-sale securities	-	(8)	13	(8)
Income before income taxes	6,728	3,444	10,464	5,339
Income tax expense	(2,292)	(1,014)	(3,565)	(1,687)
Net income	\$ 4,436	\$ 2,430	\$ 6,899	\$ 3,652
Net income per Common Share:				
Basic	\$ 0.82	\$ 0.45	\$ 1.27	\$ 0.67
Diluted	\$ 0.79	\$ 0.43	\$ 1.23	\$ 0.65
Dividends declared per Common Share	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20
Weighted Average Shares Outstanding:				
Basic	5,423	5,423	5,423	5,416
Diluted	5,589	5,626	5,590	5,632
Retained earnings at beginning of period	\$ 88,659	\$ 80,597	\$ 86,739	\$ 79,918
Net income for the period	4,436	2,430	6,899	3,652
Dividends declared on common stock	(543)	(543)	(1,086)	(1,086)
Retained earnings at end of period	\$ 92,552	\$ 82,484	\$ 92,552	\$ 82,484

The accompanying notes are an integral part of this statement.

TODD SHIPYARDS CORPORATION

CONSOLIDATED BALANCE SHEETS

October 2, 2005 and April 3, 2005

(In thousands of dollars except share data)

	<u>10/02/05</u>	<u>04/03/05</u>
	(Unaudited)	(Audited)
ASSETS		
Cash and cash equivalents	\$ 14,487	\$ 3,823
Securities available-for-sale	35,323	34,964
Accounts receivable, less allowance for doubtful accounts of \$0 and \$1, respectively		
U.S. Government	9,421	12,922
Other	7,896	4,742
Costs and estimated profits in excess of billings on incomplete contracts	12,356	12,815
Inventory, less obsolescence reserve of \$115 and \$82, respectively	1,207	1,408
Insurance receivable - current	8,992	14,328
Other current assets	1,980	1,625
Deferred taxes	775	1,002
Total current assets	<u>92,437</u>	<u>87,629</u>
Property, plant and equipment, net	27,781	27,333
Restricted cash	3,516	2,919
Deferred pension assets	27,736	28,127
Insurance receivable	9,539	9,401
Other long-term assets	1,038	1,042
Total assets	<u>\$ 162,047</u>	<u>\$ 156,451</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable and accruals	\$ 24,523	\$ 19,730
Accrued payroll and related liabilities	2,863	3,149
Billings in excess of costs and estimated profits on incomplete contracts	2,198	1,527
Environmental and other reserves - current	9,296	14,328
Taxes payable other than income taxes	1,392	2,121
Income taxes payable	1,386	579
Total current liabilities	<u>41,658</u>	<u>41,434</u>
Environmental and other reserves	11,979	12,408
Accrued post retirement health benefits	14,667	14,957
Deferred taxes	6,399	6,328
Other non-current liabilities	2,531	2,517
Total liabilities	<u>77,234</u>	<u>77,644</u>
Stockholders' equity:		
Common stock \$.01 par value-authorized 19,500,000 shares, issued 11,956,026 shares at October 2, 2005 and April 3, 2005, and outstanding 5,423,156 at October 2, 2005 and 5,423,156 at April 3, 2005	120	120
Paid-in capital	39,039	38,974
Retained earnings	92,552	86,739
Accumulated other comprehensive income	129	1
Treasury stock (6,532,870 shares at October 2, 2005 and April 3, 2005)	(47,027)	(47,027)
Total stockholders' equity	<u>84,813</u>	<u>78,807</u>
Total liabilities and stockholders' equity	<u>\$ 162,047</u>	<u>\$ 156,451</u>

The accompanying notes are an integral part of this statement.

TODD SHIPYARDS CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods Ended October 2, 2005 and October 3, 2004

(in thousands of dollars)

	Six Months Ended	
	10/02/05	10/03/04
OPERATING ACTIVITIES:		
Net income	\$ 6,899	\$ 3,652
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,904	1,809
Deferred pension cost	391	83
Post retirement health benefits	(290)	(246)
Deferred income tax expense	231	862
Stock based compensation	65	65
Decrease (increase) in operating assets:		
Costs and estimated profits in excess of billings on incomplete contracts	459	6,626
Inventory	201	212
Accounts receivable	347	(3,550)
Insurance receivable	5,198	600
Other assets, net	(351)	921
Increase (decrease) in operating liabilities:		
Accounts payable and accruals	4,793	(3,733)
Accrued payroll and related liabilities	(286)	(325)
Billings in excess of costs and estimated profits on incomplete contracts	671	(191)
Environmental and other reserves	(5,461)	(532)
Income taxes payable	807	574
Other liabilities, net	(715)	(467)
Net cash provided by operating activities	<u>14,863</u>	<u>6,360</u>
INVESTING ACTIVITIES:		
Purchases of marketable securities	(3,182)	(919)
Sales of marketable securities	22	939
Maturities of marketable securities	2,996	-
Capital expenditures	(2,352)	(1,394)
Net cash used in investing activities	<u>(2,516)</u>	<u>(1,374)</u>
FINANCING ACTIVITIES:		
Restricted cash	(597)	168
Proceeds from exercise of stock options	-	146
Dividends paid on common stock	(1,086)	(1,086)
Net cash used in financing activities	<u>(1,683)</u>	<u>(772)</u>
Net increase in cash and cash equivalents	10,664	4,214
Cash and cash equivalents at beginning of year	3,823	1,328
Cash and cash equivalents at end of the period	<u><u>\$ 14,487</u></u>	<u><u>\$ 5,542</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Todd Shipyards Corporation (the "Company") filed its Consolidated Financial Statements for the fiscal year ended April 3, 2005 with the Securities and Exchange Commission on Form 10-K. The Consolidated Financial Statements, Notes to Consolidated Financial Statements and Management's Discussion and Analysis contained in that report should be read in connection with this Form 10-Q.

1. BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements are unaudited but in the opinion of management reflect all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial position and results of operations in accordance with accounting principles generally accepted in the United States applied on a consistent basis. The accompanying consolidated balance sheet as of April 3, 2005 is derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year then ended.

In accordance with the Company's policy of ending its fiscal year on the Sunday nearest March 31, the Company's fiscal year 2005 ended on April 3, 2005 and included 53 weeks. As a result, the Company's fiscal 2005 second quarter and six month periods contained 14 weeks and 27 weeks, respectively, rather than 13 weeks and 26 weeks in the second quarter and six month periods ended October 2, 2005.

2. NEW ACCOUNTING PRONOUNCEMENTS

On December 16, 2004, the FASB issued FASB Statement No.123 (revised 2004), *Share-Based Payment*, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Statement 123(R) supercedes APB Opinion No.25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No.95, *Statement of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The SEC requires that Statement 123(R) be adopted in the first annual period beginning after June 15, 2005. The Company will adopt Statement 123(R) on April 3, 2006. The Company plans to adopt Statement 123 using the "modified prospective" recognition method in which compensation cost is recognized beginning with the effective date, April 3, 2006, based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date. The impact of adoption on the Company's financial statements is not expected to have a significant impact on the results of operations or financial position.

3. REVENUES

The Company recognizes revenue, costs, and profit on construction contracts in accordance with Statement of Position No. 81-1 (SOP No. 81-1), "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." The Company enters into government cost-type contracts, time and materials contracts and fixed price contracts.

The ship repair business consists of individual and short duration repair events, some of which are exercised by the Government under its various multi-

ship, multi-option contracts. Consequently, operating results for any period presented are not necessarily indicative of results that may be expected in any other period.

4. CONTRACTS

On September 15, 2005 the U.S. Coast Guard awarded a \$7.2 million modification to a previously awarded contract in support of alteration and repair of ship's systems, engines and shipboard equipment performed during the Planned Maintenance Availability of the icebreaker USCG Polar Sea. The work is being performed pursuant to the Company's cost-type, five-year multi-Ship multi-Option contract with the Coast Guard awarded in 2004 for the overhaul and continued maintenance of the two Polar Class Icebreakers stationed at Seattle, Washington. The work began at the Company's shipyard in Seattle and is expected to be completed in February 2006.

On September 20, 2005 the Navy awarded a modification extending by approximately five years the Company's Combatant Maintenance Team Contract ("CMT"), originally awarded to Todd Pacific by the Navy in 2000, for the surface combatants (frigates and destroyers) stationed at Naval Station Everett. This modification also provides for a cost-plus-award-fee contract. Todd Pacific will continue to act as the prime contractor and lead a team of subcontractors who may perform as much as half of the work. The work will be accomplished in Todd Pacific's shipyard located on Seattle's Harbor Island and pier-side within Naval Station Everett. Work under this modified contract will be performed at the option of the Navy, which has not established a dollar value for the work. Todd Pacific estimates the value may be in the range of \$75 million over five years, if all options are exercised. There is no assurance that all options will be exercised, in whole or in part.

On September 29, 2005 the U.S. Coast Guard awarded the Company, a multi-year, multi-Option firm fixed-price supply contract that will be in effect from September 2005 to March 2010 for maintenance on the icebreaker USCGC Healy ("Healy"). The contract provides for the periodic pier-side maintenance of the Healy and is to be accomplished at the U.S. Coast Guard Integrated Support Center in Seattle, Washington. The Company estimates the value of the contract to be in the range of \$11.0 million over four and one half years, if all options are exercised. There is no assurance that all options will be exercised, in whole or in part. Subsequent to award, an unsuccessful bidder filed a post-award protest with the Government Accountability Office ("GAO"). The Coast Guard initially issued a stop work order on the contract, which has since been lifted. The Company is proceeding to perform the contract while the GAO considers the merits of the bid protest filed by the unsuccessful bidder. There can be no assurances regarding the outcome of the filed protest.

5. ENVIRONMENTAL AND OTHER RESERVES

As discussed in the Company's Form 10-K for the fiscal year ended April 3, 2005, the Company faces significant potential liabilities in connection with the alleged presence of hazardous waste materials at its Seattle shipyard and at two additional sites used by the Company for disposal of alleged hazardous waste. Parties alleging damages from past exposure to toxic substances at Company facilities have also named the Company as a defendant in civil actions.

The Company continues to analyze environmental matters and associated liabilities for which it may be responsible. No assurance can be given as to the existence or extent of any environmental liabilities until such analysis has been completed. The eventual outcome of all environmental matters cannot be determined at this time; however, the analyses of the known matters have

progressed sufficiently to warrant establishment of reserve provisions in the accompanying consolidated financial statements.

Harbor Island Site

In fiscal year 2001, the Company entered into a 30-year agreement with an insurance company that provides broad-based insurance coverage for the remediation of the Company's operable units at the Harbor Island Superfund Site ("Site").

The agreement provides coverage for the known liabilities in an amount not to exceed the policy limits. As of October 2, 2005 these limits exceed the Company's current booked reserves of approximately \$13.1 million. Included in the reserves are sediment remediation costs for Harbor Island of \$9.3 million that are expected to occur in the next 12 months. These costs are reflected in the Company's balance sheet under current liabilities. Likewise, the insurance receivable of \$9.0 million relating to these reserves is reflected in the Company's balance sheet under current assets.

Additionally, in 2001 the Company entered into a 15-year agreement for coverage of any new environmental conditions discovered at the Seattle shipyard property that would require environmental remediation.

During the fourth quarter of fiscal year 2003, the Company and the EPA entered into a Consent Decree for the cleanup of the Shipyards Sediments Operable Unit (the "SSOU"), which, was subsequently approved by the Department of Justice. During the fourth quarter of fiscal year 2004 the Company submitted its Final Design Report to the EPA, which provides for the following actions to take place at the SSOU:

Demolition and removal of piers 2 and 4 South (located on the Duwamish Waterway) to achieve more complete cleanup in those areas.

Dredging of an estimated 195,200 cubic yards of contaminated sediments and shipyard waste in the open areas of the SSOU (surrounding the shipyard) and in the areas beneath Piers 2 and 4 South.

Disposal of all recovered sediment and shipyard waste at an appropriate upland disposal facility.

Backfilling of portions of the areas dredged to create inter-tidal habitat where feasible.

Capping of areas beneath the piers that are not scheduled for demolition to an average thickness of one foot.

Pursuant to the current schedule, remediation of the SSOU began in the second quarter of fiscal 2005. The Consent Decree requires that the Company be finished with the pier demolition and dredging in its entirety in fiscal year 2006. The current estimated cost of the SSOU cleanup is included in the environmental reserve.

Under the Federal Superfund law, potentially responsible parties may have liability for damages to natural resources in addition to liability for remediation. During fiscal year 2003, the Company began discussions with the natural resource trustees ("Trustees") for the Site. The Company anticipates that the Trustees will file a claim against the Company at some future date alleging damages to the natural resources at the Site caused by the release of hazardous substances. The best estimate of the Company's natural resource damage liability is included in the environmental remediation reserve. The payment of any eventual claim is covered by the aforementioned insurance policy, provided that aggregate policy limits have not been exceeded.

Other Environmental Sites

During the third quarter of fiscal year 2005, the Company, along with 55 other companies and organizations, was notified that it is a potentially responsible party ("PRP") at the BKK Landfill Facility in West Covina, California. The site is the subject of an investigation and remedial order from the California Department of Toxic Substances Control. It is alleged that the Company's San Pedro shipyard (closed in 1990) caused shipyard waste to be sent to the BKK Facility during the 1970s and 1980s. The Company is investigating these allegations.

During the second quarter of fiscal year 2005, the Company was notified by the EPA that it is a PRP at the Malone Service Company Superfund Site ("Malone") in Galveston County, Texas. The EPA alleges that the Company's Galveston shipyard, which ceased operations in 1990, was the generator of waste materials that were delivered, through independent transport companies, to the Malone site. The EPA has further indicated that the Company will, based on volumes of material at the site believed to have been generated by the Company, be eligible to participate in a "de minimus" settlement for small contributors. The Company has included its best estimate of the settlement amount in its environmental reserve.

Asbestos-Related Claims

As reported in the Company's Form 10-K for its fiscal year 2005, the Company has been named as a defendant in civil actions by parties alleging damages from past exposure to toxic substances, generally asbestos, at closed former Company facilities.

The cases generally include as defendants, in addition to the Company, other ship builders and repairers, ship owners, asbestos manufacturers, distributors and installers, and equipment manufacturers and arise from injuries or illnesses allegedly caused by exposure to asbestos or other toxic substances. The Company assesses claims as they are filed and as the cases develop, analyzing them in two different categories based on severity of illness. Based on current fact patterns, certain diseases including mesothelioma, lung cancer and fully developed asbestosis are categorized by the Company as "malignant" claims. All others of a less medically serious nature are categorized as "non-malignant". The Company is currently defending approximately 26 "malignant" claims and approximately 571 "non-malignant" claims. The Company and its insurers are vigorously defending these actions. As of October 2, 2005 the Company has recorded a bodily injury liability reserve of \$7.3 million and a bodily injury insurance receivable of \$5.4 million. This compares to a previously recorded bodily injury reserve and insurance receivable of \$7.3 million and \$5.3 million, respectively, at April 3, 2005. These bodily injury liabilities and receivables are classified within the Company's Consolidated Balance Sheets as environmental and other reserves, and insurance receivables, respectively.

Other Reserves

During the first quarter of fiscal year 2004, the Company recorded a reserve of \$2.5 million related to the unanticipated bankruptcy of one of its previous insurance carriers. The reserve, which reflects the Company's best estimate of the known liabilities associated with unpaid workers compensation claims arising from the two-year coverage period commencing October 1, 1998, is subject to change as additional facts are uncovered. These claims have reverted to the Company due to the bankruptcy of the insurance carrier. Although the Company expects to recover at least a portion of these costs from the carrier's liquidation and other sources, the amount and the timing of any

such recovery cannot be estimated currently and therefore no estimate of amounts recoverable is included in the current financial results.

Since establishing the reserve, the Company has paid a cumulative total of approximately \$541,000 and \$470,000 in claims at October 2, 2005 and April 3, 2005, respectively, which have been charged against the reserve.

6. COMPREHENSIVE INCOME

The Company reported comprehensive income of \$4.4 million for the quarter ended October 2, 2005 which consisted of net income of \$4.4 million and a decrease in net unrealized gains on available-for-sale marketable securities of \$11,000, which is recorded in accumulated other comprehensive income. For the six month period then ended, the Company reported comprehensive income of \$7.0 million, which consisted of net income of \$6.9 and an increase in net unrealized gains on available-for-sale marketable securities of \$0.1 million.

During the same period of fiscal year 2005, the Company reported comprehensive income of \$2.5 million for the quarter ended October 3, 2004, which consisted of net income of \$2.4 million and an increase in net unrealized gains on available-for-sale marketable securities of \$0.1 million. For the six month period then ended, the Company reported comprehensive income of \$3.5 million, which consisted of net income of \$3.7 million offset by the decrease in net unrealized gains on available-for-sale marketable securities of \$0.2 million.

7. EARNINGS PER SHARE

The following table represents the calculation of net earnings per common equivalent share - diluted

In thousands (except per share data)	Quarter Ended		Six Months Ended	
	10/02/05	10/03/04	10/02/05	10/03/04
Net income	\$ 4,436	\$ 2,430	\$ 6,899	\$ 3,652
Weighted average common shares outstanding	5,423	5,423	5,423	5,416
Dilutive effect of common stock options	166	203	167	216
Weighted average common shares outstanding	5,589	5,626	5,590	5,632
Net earnings per common share diluted	\$ 0.79	\$ 0.43	\$ 1.23	\$ 0.65

8. PROPERTY

On December 16, 2004 the Company announced that it had been awarded a five-year lease with the Navy for the use of the AFDM-10 Drydock, "Resolute." The Resolute arrived at Todd Shipyards on August 31, 2005 where it is expected to be placed into service during the fourth quarter of this fiscal year.

9. PENSIONS AND OTHER POSTRETIREMENT BENEFIT PLANS

Nonunion Pension Plan - The Company sponsors the Todd Shipyards Corporation Retirement System (the "Retirement System"), a non-contributory defined benefit plan under which all nonunion employees are covered. The benefits are based on years of service and the employee's compensation before retirement. The Company's funding policy is to fund such retirement costs as required to meet allowable deductibility limits under current Internal Revenue Service

regulations. The Retirement System plan assets consist principally of common stocks and Government and corporate obligations.

Under a provision of the Omnibus Budget Reform Act of 1990 ("OBRA '90") the Company will transfer approximately \$1.6 million in excess pension assets from its Retirement System into a fund to pay fiscal year 2006 retiree medical benefit expenses. OBRA '90 was modified by the Work Incentives Improvement Act of 1999 and subsequently updated April 10, 2004 by the Pension Funding Equity Act (HR-3108) to extend annual excess asset transfers through the fiscal year ending March 30, 2014.

Pension Benefits	Quarter Ended		Six Months Ended	
	10/02/05	10/03/04	10/02/05	10/03/04
Components of Net Periodic Benefit				
Cost (in thousands of dollars)				
Service Cost	\$ 174	\$ 162	\$ 349	\$ 324
Interest cost on projected benefit obligation	390	403	779	807
Expected return on plan assets	(843)	(919)	(1,685)	(1,838)
Amortization of prior service cost	3	4	6	8
Recognized actuarial loss	102	10	204	20
Net periodic benefit before OBRA '90	(174)	(340)	(347)	(679)
Transfer of assets for payment of retiree medical benefits (401(h)Plan)	369	381	738	762
Net periodic cost	\$ 195	\$ 41	\$ 391	\$ 83

Post Retirement Group Health Insurance Program - The Company sponsors a defined benefit retirement health care plan that provides post retirement medical benefits to former full-time exempt employees, and their spouses, who meet specified criteria. The Company terminated post retirement health benefits for any employees retiring subsequent to May 15, 1988.

The retirement health care plan contains cost-sharing features such as deductibles and coinsurance. These benefits are funded monthly through the payment of group health insurance premiums.

Because such benefit obligations do not accrue to current employees of the Company, there is no current year service cost component of the accumulated post retirement health benefit obligation.

Other Postretirement Benefits	Quarter Ended		Six Months Ended	
	10/02/05	10/03/04	10/02/05	10/03/04
Components of Net Periodic Benefit				
Cost (in thousands of dollars)				
Interest cost on projected benefit obligation	\$ 224	\$ 269	\$ 448	\$ 537
Recognized actuarial loss	-	7	-	14
Effect of Medicare Subsidy	-	(35)	-	(35)
Net periodic cost before OBRA '90	224	241	448	516
Transfer of assets for payment of retiree medical benefits (401(h)Plan)	(369)	(381)	(738)	(762)
Net periodic benefit	\$ (145)	\$ (140)	\$ (290)	\$ (246)

Union Pension Plans - Operating Shipyard - The Company participates in several multi-employer plans, which provide defined benefits to the Company's collective bargaining employees. The expense under these plans totaled \$1.2 million and \$2.5 million for the quarter and six month period ending October 2, 2005, respectively.

During the same periods of fiscal year 2005, the expense for these plans totaled \$0.6 million and \$1.3 million, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Notes to Consolidated Financial Statements are an integral part of Management's Discussion and Analysis of Financial Condition and Results of Operations and should be read in conjunction herewith.

OVERVIEW

The Company derives a significant portion of its revenues from work performed under its contracts with the U.S. Navy ("Navy") and the U.S. Coast Guard. Work under such contracts is scheduled by and at the convenience of the Navy and the U.S. Coast Guard. NIMITZ CLASS Aircraft Carrier work for the Navy and work on submarine contracts for Electric Boat ("EB") contributed significantly to the amount of work performed in the first half of fiscal year 2006.

OPERATING RESULTS

All comparisons within the following discussion are to the corresponding period in the previous year, unless otherwise stated.

Revenue - The Company's second quarter revenue of \$70.8 million reflects an increase of \$34.1 million (93%) from the same period last fiscal year. The quarter to quarter increase largely results from increased work volumes, primarily attributable to work for the Navy on the NIMITZ CLASS Aircraft Carrier - USS STENNIS and work on submarines under contracts with EB.

Revenues for the first six months of fiscal year 2006 of \$137.6 million reflect an increase of \$68.9 million (100%) from the comparable fiscal year 2005 period. The increase in revenue in the first six months of fiscal year 2006 is primarily attributable to work for the Navy on the USS STENNIS and work on submarines under contracts with EB.

The ship repair business consists of individual and short duration repair events, some of which are exercised by the Government under its various multi-ship, multi-option contracts. Consequently, operating results for any period presented are not necessarily indicative of results that may be expected in any other period.

Cost of Revenue - Cost of revenue during the second quarter of fiscal year 2006 was \$53.3 million, or 75% of revenue. Cost of revenue during the second quarter of fiscal year 2005 was \$24.0 million, or 66% of revenue. The cost of revenue increase in the second quarter of fiscal year 2006 is primarily attributable to increased volumes. Cost of revenue as a percentage of revenue increased by 9% during the second quarter of 2006 from the comparable period of fiscal year 2005. This increase is driven by higher subcontract costs, as a percentage of direct costs, which tend to result in lower margins on cost reimbursable work than direct costs incurred by the Company. The increase in subcontractor costs is driven by increased work under the NIMITZ CLASS Aircraft Carrier and Combatant Maintenance Team contracts where team members perform significant amounts of work.

Cost of revenue during the first six months of fiscal year 2006 was \$103.1 million, or 75% of revenue. During the comparable period in fiscal year 2005, cost of revenue was \$45.4 million, or 66% of revenue. The increase in cost of revenue is volume driven. As discussed above for the quarter, the increase as a percentage of revenue is driven by higher subcontract costs, as a percentage of direct costs, which tend to result in lower margins than direct costs incurred by the Company. Also, higher work volumes result in lower revenues on cost reimbursable contracts, which increases cost of revenue as a percentage of revenue.

Administrative and manufacturing overhead expense - Overhead costs for administrative and manufacturing activities were \$11.2 million, or 16% of revenue for the second quarter of fiscal year 2006. During the same period of fiscal year 2005, administrative and manufacturing overhead costs were \$9.3 million, or 26% of revenue. The \$1.9 million increase in administrative and manufacturing overhead is attributable to increased variable manufacturing costs driven by higher work volume during the second quarter of fiscal year 2006. The decrease in administrative and manufacturing costs as a percentage of revenue is primarily attributable to the fact that a portion of these costs are fixed and the variable costs increased with the increased volumes and revenue.

Administrative and manufacturing overhead costs for the first six months of fiscal year 2006 were \$24.9 million, or 18% of revenue. During the same period of fiscal year 2005, administrative and manufacturing overhead costs were \$18.3 million, or 27% of revenue. The \$6.6 million increase is due to fiscal year 2006's higher volumes. As discussed above for the quarter, the decrease in administrative and manufacturing costs as a percentage of revenue is primarily attributable to the fixed portion of costs that do not fluctuate with volumes.

Income Taxes - The Company's effective tax rates were 34% and 30% in the second quarters of fiscal year 2006 and 2005, respectively. For the six month periods then ended, the income tax rates were 34% and 32% respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company anticipates that its cash, cash equivalents and marketable securities position, anticipated fiscal year 2006 cash flow, access to credit facilities and capital markets, taken together, will provide sufficient liquidity to fund operations for fiscal year 2006. Accordingly, shipyard capital expenditures are expected to be financed from working capital. Changes

in the composition or timing of projected work could cause planned capital expenditures and repair and maintenance expenditures to change.

Working Capital

Working capital at October 2, 2005 was \$50.8 million, an increase of \$4.6 million or 10% from the working capital reported at the end of fiscal year 2005. This increase is primarily attributable to the net income generated during the six-month period.

Capital Expenditures

Capital expenditures for the first six months of fiscal year 2006 were \$2.4 million and were attributable to planned improvements to the Seattle shipyard facility.

Credit Facility

Todd Pacific Shipyards Corporation ("Todd Pacific"), a wholly owned subsidiary of the Company, has a \$10.0 million revolving credit facility available for its working capital requirements. As of October 2, 2005 Todd Pacific had no outstanding borrowings on its credit line. Todd Pacific is in compliance with all debt covenants.

Dividends

On September 23, 2005, the Company paid a dividend of 10 cents (\$0.10) per share to all shareholders of record as of September 8, 2005. The amount of the dividend paid was \$0.5 million.

Also, on September 9, 2005, the Company declared a dividend of ten cents (\$0.10) per share to be paid on December 23, 2005 to all shareholders of record as of December 8, 2005. The estimated amount of this dividend is \$0.5 million.

ENVIRONMENTAL MATTERS AND OTHER CONTINGENCIES

As discussed in Note 6 to the financial statements, the Company has provided total aggregate reserves of \$21.3 million at October 2, 2005 for its contingent environmental and bodily injury liabilities. As of April 3, 2005, the Company had recorded aggregate reserves of \$26.7 million. Reserves decreased by \$5.4 million in the six-month period for costs incurred for the work currently in progress on the Harbor Island sediments remediation. Due to the complexities and extensive history of the Company's environmental and bodily injury matters, the amounts and timing of future expenditures are uncertain. As a result, there can be no assurance that the ultimate resolution of these environmental and bodily injury matters will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

The Company has various insurance policies and agreements that provide coverage on the costs to remediate environmental sites and for the defense and settlement of bodily injury cases. These policies and agreements are primarily with two insurance companies. Based upon the current credit ratings of both of these companies, the Company anticipates that both parties will be able to perform under their respective policy or agreement.

As of October 2, 2005, the Company has recorded aggregate assets of \$18.5 million related to its reserves for environmental and bodily injury liabilities. As of April 3, 2005, the Company had recorded aggregate assets of \$23.7 million. \$5.3 million of the decrease of \$5.2 million in these assets is a result of receipts for the Harbor Island remediation currently in progress, offset by an increase in bodily injury insurance receivable of \$0.1

million. These assets reflect receivables under contractual arrangements with the insurance companies to share costs for certain environmental and other matters, as well as amounts deposited to securitize certain remediation activities. Amounts recoverable from insurance companies are recorded within the Company's Consolidated Balance Sheets as insurance receivables and, in the case of reimbursements currently due, as a current asset. Amounts held in security deposits are recorded within the Company's Consolidated Balance Sheets as restricted cash.

BACKLOG

At October 2, 2005 the Company's firm shipyard backlog consisted of approximately \$20 million of repair and overhaul work. The Company's backlog at April 3, 2005 was approximately \$53 million. The decrease in the backlog work at the end of the first six months of fiscal year 2006 is primarily due to the completion of certain work for the Navy on the USS STENNIS and the completion of certain work on the USS MOMSEN for Bath Iron Works.

LABOR RELATIONS

Todd Pacific Shipyards currently operates under the terms and conditions of a collective bargaining agreement with the Puget Sound Metal Trades Council (the bargaining umbrella for all unions at Todd Pacific Shipyards). The three-year agreement was in effect from August 1, 2002 to July 31, 2005. The Company and the Unions have reached agreement twice on a new contract but have failed to receive ratification from the rank and file, the last rejection occurring on October 31, 2005 by a vote of 57% to 43%. The Company continues to work with Labor for a new collective bargaining agreement and, by mutual agreement, the current contract has been extended while that process continues. Either party may terminate the extension with ten days' notice to the other party. The Company believes its relationship with its labor unions is stable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The Securities and Exchange Commission defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Our chief executive officer and our chief financial officer have concluded, based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our chief executive officer and our chief financial officer, as of the end of the period covered by this report, that our disclosure controls and procedures were effective for this purpose.

(b) Changes in Internal Controls Over Financial Reporting. There have been no significant changes in our internal controls over financial reporting during the six months ended October 2, 2005 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

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

The Company's Annual Meeting of Shareholders (the "Meeting") was held on September 9, 2005 in Seattle, Washington.

At the meeting the stockholders elected eight directors, each of whom will serve until the next Annual Meeting of Shareholders or until his respective successor shall have been elected and qualified or until his earlier resignation or removal. The Board of Directors elected at the Meeting and the votes cast in favor of their election (with the votes cast in favor of their election out of a total of 5,423,156 entitled to vote) are as follows: Brent D. Baird (5,143,118); Steven A. Clifford (4,425,685); Patrick W.E. Hodgson (5,173,363); Admiral David E. Jeremiah, USN (Ret.) (5,171,549); Joseph D. Lehrer (4,844,985); William L. Lewis (5,172,363); Philip N. Robinson (5,171,351); and Stephen G. Welch (5,171,957).

ITEM 5. OTHER INFORMATION

Pursuant to the requirements of paragraph 12(a) of Section 303A of the New York Stock Exchange ("NYSE") Listed Company Manual, the Company submitted CEO Compliance Certifications to the NYSE in both 2004 and 2005. Further, the Company filed certifications of its CEO and its CFO with the Securities and Exchange Commission pursuant to, and in the form required by, Rule 13a-14(d) under the Securities Exchange Act of 1934 as exhibits to its most recently filed Form 10-K.

ITEM 6. EXHIBITS

(a) Exhibits

- No. 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14a (filed herewith)
- No. 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14a (filed herewith)
- No. 32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002(subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code. (furnished herewith)*
- No. 32.2 Certification of Chief Financial Officer pursuant to Rule 14(b) and section 906 of the Sarbanes-Oxley Act of (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code. (furnished herewith)*
- No. 99.1 Press Release dated November 7, 2005 announcing financial for the Company's quarterly period ended October 2, (furnished herewith)*

Notwithstanding any incorporation of this Quarterly Report on Form 10-Q in any other filing by the Registrant, Exhibits furnished herewith and designated with an asterisk () shall not be deemed incorporated by reference to any other filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically otherwise set forth therein.

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.

TODD SHIPYARDS CORPORATION
Registrant

/s/Scott H. Wiscomb
Scott H. Wiscomb
Chief Financial Officer and Treasurer
November 7, 2005

Exhibit 31.1

CERTIFICATION

I, Stephen G. Welch, President and Chief Executive Officer of Todd Shipyards Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Todd Shipyards Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 7, 2005

/s/ Stephen G. Welch
Stephen G. Welch,
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Scott H. Wiscomb, Chief Financial Officer and Treasurer of Todd Shipyards Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Todd Shipyards Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 7, 2005

/s/ Scott H. Wiscomb
Scott H. Wiscomb,
Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Todd Shipyards Corporation (the "Company") on Form 10-Q for the quarter ended October 2, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies, pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350), that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2005

/s/ Stephen G. Welch
Stephen G. Welch,
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Todd Shipyards Corporation (the "Company") on Form 10-Q for the quarter ended October 2, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies, pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350), that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2005

/s/ Scott H. Wiscomb
Scott H. Wiscomb,
Chief Financial Officer and Treasurer