

# ASTRO MED INC /NEW/

**FORM 10-K405**  
(Annual Report (Regulation S-K, item 405))

Filed 4/18/2001 For Period Ending 1/31/2001

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Industry	Computer Peripherals
Sector	Technology
Fiscal Year	01/31

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-K

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

For the fiscal year ended January 31, 2001

OR

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

For the transition period from to

*Commission file number 0-13200*

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### Astro-Med, Inc.

(Exact name of registrant as specified in its charter)

Rhode Island  
(State or other jurisdiction of  
incorporation or organization)

05-0318215  
(I.R.S. Employer Identification No.)

600 East Greenwich Avenue,  
West Warwick, Rhode Island  
(Address of principal executive offices)

02893  
(Zip Code)

Registrant's telephone number, including area code: (401) 828-4000

#### Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
None	None

#### Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, \$.05 Par Value**  
(Title of Class)

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.

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

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of March 23, 2001.

Common Stock, \$0.05 Par Value: \$12,017,084

Indicate the number of shares outstanding (excluding treasury shares) of each of the issuer's classes of common stock as of March 23, 2001.  
Common Stock, \$0.05 Par Value: 4,230,224 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's definitive proxy statement for the 2001 annual meeting of shareholders are incorporated by reference into Part III.

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ASTRO-MED, INC.

FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

	Page
	----
PART I	
Item 1. Business.....	11
Item 2. Properties.....	16
Item 3. Legal Proceedings.....	16
Item 4. Submission of Matters to a Vote of Security Holders.....	16
PART II	
Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.....	17
Item 6. Selected Financial Data.....	17
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	18
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.....	21
Item 8. Financial Statements and Supplementary Data.....	22
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	22
PART III	
Item 10. Directors and Executive Officers of the Registrant.....	23
Item 11. Executive Compensation.....	24
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	24
Item 13. Certain Relationships and Related Transactions.....	24
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	24

# ASTRO-MED, INC.

## PART I

### Item 1. Business

#### General

Astro-Med, Inc., (the Company) incorporated in Rhode Island in January 1969, operates in the industry segment described below. The Company is a diversified enterprise providing products that serve the Test and Measurement, Product Identification and Life Sciences markets. The Company is strategically organized into three product groups: Test & Measurement (T&M), QuickLabel(R) Systems (QLS) and Grass-Telefactor. The Company's products are distributed both in North America and internationally through its direct sales force and authorized distributors and agents located in approximately 60 countries. Approximately 27% of the Company's sales were made outside of the United States. The Company will describe the results of operations during the twelve months ending January 31, 2001 (fiscal 2001).

The Company and its subsidiaries and their representatives may from time to time make written or oral statements, including statements contained in the Company's filings with the Securities and Exchange Commission (SEC) and in its reports to shareholders, including this annual report, which constitute or contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 or by the SEC in its rules, regulations and releases.

All statements other than statements of historical facts included in this annual report regarding the Company's financial position and operating and strategic initiatives and addressing industry developments are forward-looking statements. Where, in any forward-looking statement, the Company or its management expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. Factors which could cause actual results to differ materially from those anticipated include, but are not limited to, general economic, financial and business conditions; declining demand in the test and measurement markets, especially defense and aerospace; competition in the specialty printer industry; ability to develop market acceptance of the QLS color printer products and effective design of customer required features; competition in the data acquisition industry; competition in the neurophysiology industry; the impact of changes in foreign currency exchange rates on the results of operations; the ability to successfully integrate acquisitions; the business abilities and judgment of personnel and changes in business strategy.

#### Narrative Description of Business

##### Products

##### Overview

The Company develops, designs, manufactures and sells through three distinct product groups that are tied together by a common technology which provides the ability to acquire electronic data, process, analyze, store and present it in a variety of useable forms. All three groups supply a complete range of products including hardware, software and supplies, and all three place products in the industrial, medical (both clinical and research) and commercial market sectors, providing the Company with a broad and diverse market base. The T&M products receive scientific data, process, analyze and present it in a visible form while storing it for later review and study. The digital printer products group known as QLS, includes printer, printer applicators, software and media that create product labels in one or many colors from a computer file. The Grass-Telefactor products process data that represents the neurophysiological status of living creatures--from crayfish to man--and records and analyzes it electronically for study and review by clinicians and research scientists.

## **T&M Products**

T&M is a leading supplier of data recording equipment for the aerospace, automotive, paper, metal mill, power and telecommunications industries. In fiscal 2001, the Company added the Dash 18, a touchscreen eighteen-channel recorder with video and audio capabilities, to its successful line of portable data acquisition recorders, which includes the Dash 2, Dash 4u, Dash 8n, Dash 8u and Dash 16u recorders.

The Everest(TM), a telemetry workstation, introduced in fiscal 2000 specifically for the aerospace industry, has solidified T&M systems' leadership position in this important market. With a high-resolution display, touch-panel controls, Ethernet interface and digital filtering, the Everest utilizes leading-edge technology to provide a complete solution for the demanding aerospace as well as other commercial applications.

## **QLS Products**

The Company's QLS product line is composed of a line of high-technology digital label printers, automatic labelers, print and apply systems, labeling software and consumables. Innovative QLS products change the way companies do business by providing just-in-time, in-plant label production capabilities and labeling automation through the Company's advanced digital thermal transfer printing technologies.

### **QLS Digital Color Label Printers**

QLS digital color labels printers are designed to print multiple colors, text and barcodes in a single pass on product labels of all kinds. Using Astro-Med's proprietary MicroCell(TM) halftoning algorithm, these printers create near lithographic quality labels that can be generated on demand and printed directly from a customer's personal computer, Macintosh, mainframe or AS/400 midrange computing platform.

Seven models comprise the line of digital color label printers: the QLS- 2000, QLS-2001, QLS-3000, QLS-3001, QLS-4000, QLS-4001 and the four-color high volume printer with Ribbon Ration(TM), QLS-4100. With either two or three print stations and both one and two-side configurations, the 2000 and 3000 series brings color printing to general applications, at price points of \$5,450 to \$9,995. The QLS 4000 continues as the top-of-the-line, full process color printer for creating near lithographic quality labels and tags in both full process and spot color, and offers the option of duplex printing. The QLS 4100, with its volume capacity and automatic ribbon control system, can save customers thousands of dollars a year in ribbon costs.

### **QLS Monochrome Barcode Label Printers**

The Company also manufactures monochrome thermal/thermal transfer printers that produce high-quality barcode labels quickly and easily in almost any format. The TOP HAND QLS-500(TM) printer produces labels up to 5 inches wide at speeds of up to 10 inches per second while the RANGE BOSS 8 inch wide label printer creates shipping labels and other large formats quickly and reliably. During fiscal 2001, the Company introduced the LRU(TM) (Less Ribbon Used), a high-capacity industrial barcode printer with patented RibbonRation(TM) ribbon management system. The LRU(TM) was designed to provide customers with a system to reduce ribbon costs where only a very small portion of a label requires the printing of variable information.

### **QLS Software**

An important component of the Company's digital printing systems is the software that produces the label formatting and the printing functionality required for successful in-plant printing.

The Company's software is designed to facilitate the integration of the QLS printers within today's high-technology production environments, and includes QLS MicroCell(TM) halftoning algorithms for exceptional image quality and color output.

## **QLS Label Applicators and Print & Apply Systems**

To complement the QLS printers, the Company manufactures a complete line of automatic labelers that can apply labels to all types of packaging, from cartons to "clamshell" containers. Applicator models include the AD-2550, AD- 2600, AT-2650 and AD 2800, which offer standard roll-on and air-tamp labeling capabilities. The CPA-350, the Company's high-end print and apply system, offers companies the ability to print a label on-demand and apply it to a product as it passes on a conveyor. During fiscal 2001, the Company introduced a new product, the LRU Print & Apply system, which incorporates as its print engine the powerful LRU(TM) barcode printer. The LRU-PA, as it is known, is equipped to efficiently print and apply large volumes of labels to cartons and many types of product packaging in an automated production line environment, while minimizing the cost per label with its patented RibbonRation(TM) ribbon management system.

### **QLS Consumables: Thermal Transfer Ribbon and Labels**

The Company offers a large variety of aftermarket printer consumables that include thermal transfer ribbons, labels and tags. These consumables are not only used in the Company's printers but also in any other manufacturer's printer applications. A wide range of materials are available, all manufactured on-site, to guarantee a finished label that meets almost any requirements from single-use paper labels to garment labels, to outdoor signage and product labels of almost any description.

## **Grass-Telefactor Products**

The Grass-Telefactor product group offers a range of instrumentation and supplies for clinical neurophysiology (EEG and epilepsy monitoring), polysomnography (PSG) and biomedical research applications. Grass-Telefactor enjoys a reputation built on decades of innovative technology, thoughtful design and reliability. The products and services offered by Grass-Telefactor are used worldwide by universities, hospitals, medical centers and companies engaged in a variety of clinical and research activities.

For clinical applications, Grass-Telefactor has chosen to focus on the dynamic field of polysomnography (sleep disorders monitoring), and on the many applications of EEG (brain wave monitoring), including epilepsy diagnosis and surgery, critical care and intraoperative neuromonitoring. In fiscal 2000, the Company's clinical product line expanded to include long-term epilepsy monitoring through the acquisition of Telefactor Corporation, and the combined group now offers a one-source solution for EEG and PSG departments seeking instrumentation, software or supplies. The clinical product line now includes in-lab or in-hospital integrated systems for EEG, PSG and long term monitoring, featuring a powerful software suite called TWin which provides networking, database and report generation capabilities in addition to powerful data acquisition and analysis tools. The product line also includes laptop-based systems for EEG or PSG, which expand the capabilities of hospitals to offer services by packaging clinical instruments in a compact, portable package. Ambulatory systems for EEG or PSG allow patients to be recorded in out-of-lab settings, including their own homes. The group has also been active developing new products and has released a new product line including the Beehive(TM) Millennium for long term monitoring and the Aurora(TM) digital EEG system to complement the Heritage PSG.

For biomedical research applications, Grass-Telefactor offers hardware and software for data acquisition and analysis of data. The research product line builds on a strong foundation with world-renowned Grass amplifiers, such as the Model 15RX modular, computer-controlled biomedical amplifier system.

Rounding out the offerings from Grass-Telefactor, the Company offers a complete line of clinical and research instruments and supplies, including stimulators, transducers, electrodes and consumables. The supplies and accessories product line now uses e-commerce to reach the worldwide market through the Grass-Telefactor Online Store, [www.grass-telefactor.com](http://www.grass-telefactor.com).

## **Technology**

The core technologies of the Company relate to (1) acquiring data, (2) conditioning the data, (3) displaying the data on hard copy, monitor, or electronic storage media, and finally (4) analyzing the data. All three product groups of the Company--T&M, QLS and Grass-Telefactor use these technologies.

These core technologies are constantly being developed to the level of cutting edge performance and enable the Company to lead the competition with innovative industry-level products.

## **Patents and Copyrights**

The Company holds a number of product patents in the United States and in foreign countries. It has filed applications for other patents that are pending. The Company has patents covering its T&M recording products as well as several patents for its QLS dual sided label printers and four-color label printers. In addition, the Company has two other patents pending on its multi- color printing technology. In fiscal 2001, the Company received a patent on its "ribbon saving" feature for its color and monochrome printers. The Company considers its patents to be important but does not believe that its business is materially dependent on them. The Company copyrights its extensive software and registers its trademarks.

## **Manufacturing and Supplies**

The Company designs its products and manufactures many of the component parts. The balance of the parts are produced to the Company's specifications by suppliers. Raw materials required for the manufacture of products, including parts produced to the Company's specifications, are generally available from numerous suppliers.

## **Product Development**

The Company has maintained an active program of product research and development since its inception. During fiscal 2001, 2000 and 1999, the Company incurred costs of \$4,255,434, \$3,353,883 and \$2,938,820, respectively, on Company-sponsored product development. The Company is committed to product development as a requisite to its growth and expects to continue its focus on research and development efforts in fiscal 2002.

## **Marketing and Competition**

The Company competes worldwide in many markets including clinical and research medicine, aerospace, automotive and general manufacturing. The Company retains its leadership position in its respective markets by virtue of proprietary technology, product reputation, delivery, technical assistance and service to customers.

The products of the Company are marketed worldwide by advertising and promotion using major national and international trade journals, scientific meetings and trade shows, direct mailing campaigns, and the Worldwide Web.

The products are sold by direct field sales persons as well as independent dealers and representatives. In the United States, the Company has twenty-two direct field sales people located in major cities from coast to coast specializing in either Recorders and Data Acquisitions systems, Color Label printers and media systems, or Neurological Instrumentation. Additionally, the Company has direct field sales and service centers in Canada, England, France, Germany, Italy, and Holland. In the remaining parts of the world, the Company retained approximately 90 independent dealers and representatives selling and marketing its products in 60 countries. In fiscal 2001, 27% of the Company's revenues were from international sales.

The Company has a number of competitors in each of the three products groups and markets that it serves. In the T&M area, the Company feels that it leads the field in Data Acquisition Recorders. It competes with the Gould Instrument Division of Nicolet, a Thermo Electron company and Western Graphtec, the US subsidiary of Graphtec, a Japanese company.

In the Color Label Printer product group, the Company feels it leads the world in color printing using the thermal transfer printing technology. The Company introduced the very first thermal transfer color printers late in 1995 and to this date faces only one competitor, TEC.

The Grass-Telefactor products of the company are devoted to clinical applications in EEG, Polysomnography (PSG), and Long Term Epilepsy Monitoring (LTM). There are about fourteen companies that compete in one or more of the three modalities (EEG, PSG, LTM) but none are the clear leader. The Company feels it offers superior products based upon its long history and pioneering the field since 1935. The Company, unlike most of its competitors, designs, manufactures, and produces complete systems including transducers, amplifiers, sensors, and Windows based application software. Additionally, the Company produces a range of life science products for the research market. Many of the latter products eventually find their way into clinical applications.

In fiscal 2001, no single customer accounted for 10% of the Company's net sales in any of the last three fiscal years. The Company's products were sold to approximately 5,500 customers.

### **International Sales**

Astro-Med International, Inc., a subsidiary of the Company, participates in all export sales. The subsidiary is a Foreign Sales Corporation and qualifies for certain tax benefits provided as an incentive for exports.

In fiscal 2001, 2000 and 1999, net sales to customers in various geographic areas outside the United States, primarily in Canada and Western Europe, amounted to \$13.9 million, \$12.5 million and \$11.0 million, respectively.

### **Order Backlog**

The backlog fluctuates regularly. It consists of a blend of orders for end user customers as well as original equipment manufacturer customers. Manufacturing is geared to forecasted demands and applies a rapid turn cycle to meet customer expectations. Accordingly, the amount of order backlog does not indicate future sales trends and the Company does not normally carry any material backlog.

### **Other Information**

The Company's business is not seasonal in nature.

Most of the Company's products are warranted for one year against defects in materials or workmanship. Warranty expenses have averaged approximately \$182,000 a year for the Company's last five fiscal years.

As of March 23, 2001, the Company employed approximately 390 persons. The Company is generally able to satisfy its employment requirements. No employees are represented by a union. The Company believes that employee relations are good.

## Item 2. Properties

The following table sets forth information regarding the Company's principal owned properties, all of which are included in the consolidated balance sheet appearing elsewhere in this report.

Location	Approximate Square Footage	Principal Use
West Warwick, RI.....	116,000	Corporate headquarters, research and development, manufacturing
Braintree, MA.....	91,000	Manufacturing
Slough, England.....	1,700	Sales and service

The Company also leases facilities in eight locations. The following information pertains to each location:

Location	Approximate Square Footage	Principal Use
West Conshohocken, PA.....	10,000	Manufacturing, sales and service
Longueuil, Quebec, Canada..	3,800	Sales and service
Rodgau, Germany.....	3,014	Manufacturing, sales and service
Trappes, France.....	2,164	Sales and service
Zwolle, Netherlands.....	1,300	Sales and service
Schaumburg, IL.....	1,131	Sales and service
Irvine, CA.....	980	Sales and service
Milano, Italy.....	753	Sales and service

The Company believes its facilities are well maintained, in good operating condition and generally adequate to meet its needs for the foreseeable future.

## Item 3. Legal Proceedings

There are no pending or threatened legal proceedings against the Company believed to be material to the financial position or results of operations of the Company.

## Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's security holders, through solicitation of proxies or otherwise, during the last quarter of the period covered by this report.

## PART II

### Item 5. Market for the Registrant's Common Stock and Related Stockholder

#### Matters

The Company's common stock trades on The NASDAQ Stock Market under the symbol ALOT. The following table sets forth dividend data and the range of high and low closing prices, as furnished by NASDAQ, for the periods indicated.

Years Ended January 31, -----	High -----	Low -----	Dividends Per Share -----
2001			
First Quarter.....	\$7.50	\$5.19	\$0.04
Second Quarter.....	\$6.63	\$5.00	\$0.04
Third Quarter.....	\$6.00	\$4.75	\$0.04
Fourth Quarter.....	\$4.93	\$3.09	\$0.04
2000			
First Quarter.....	\$7.00	\$4.88	\$0.04
Second Quarter.....	\$7.00	\$5.50	\$0.04
Third Quarter.....	\$6.38	\$5.50	\$0.04
Fourth Quarter.....	\$6.44	\$5.13	\$0.04

The Company had approximately 400 shareholders of record on March 23, 2001, which does not reflect shareholders with beneficial ownership in shares held in nominee name.

#### Shareholder Services

Shareholders of Astro-Med, Inc. who desire information about the Company are invited to contact the Investor Relations Department, Astro-Med, Inc., 600 East Greenwich Avenue, West Warwick, RI 02893 or call (401) 828-4000. Visit our Investor Relations website at [www.astro-med.com](http://www.astro-med.com).

#### Dividend Policy

The Company began a program of paying quarterly cash dividends in the second quarter of fiscal 1992. Previously, no cash dividends had been declared or paid by the Company since inception. The Company anticipates that it will continue to pay cash dividends on a quarterly basis.

### Item 6. Selected Financial Data

(Dollars in Thousands, Except Per Share Amounts)

	2001 -----	2000 -----	1999 -----	1998 -----	1997 -----
Results of Operations:					
Net Sales.....	\$51,688	\$46,143	\$42,166	\$44,377	\$44,730
Net Income.....	302	937	496	1,041	2,288
Earnings per Common Share--Basic....	.07	.21	.11	.21	.46
Earnings per Common Share--Diluted...	.07	.21	.11	.21	.46
Dividends Declared per Common Share..	.16	.16	.16	.16	.12
Financial Condition:					
Working Capital.....	\$21,908	\$22,453	\$25,507	\$27,111	\$28,810
Total Assets.....	41,059	45,385	41,754	42,814	43,321
Long-Term Debt, less Current Maturities.....	25	72	17	228	258

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations

Fiscal 2001 compared to Fiscal 2000

The Company's sales in fiscal 2001 increased \$5.6 million to \$51.7 million, a 12% increase over fiscal 2000 sales of \$46.1 million. In accordance with Emerging Issues Task Force (EITF) Issue No. 00-10 Accounting for Shipping and Handling Fees and Costs, in the fourth quarter of fiscal year 2001, the Company began to report amounts of shipping and handling billed to customers in sales. The Company had previously reported these billings as a reduction in costs of sales. All periods presented have been reclassified to conform to the current practice.

The \$5.6 million sales increase is due primarily to the sales growth for the QLS and Grass-Telefactor product lines as well as the incremental sales derived from the Telefactor acquisition, which was completed in the fourth quarter of the prior fiscal year. Excluding Telefactor's products, the Company's sales grew 5% organically in this past fiscal year. The Telefactor acquisition combined the life sciences products of the Company's Grass Instrument group together with Telefactor's neurophysiologic products into one product group Grass-Telefactor. This new group offers a broad range of high- performance products to researchers and clinical practitioners in the life sciences markets. Telefactor is known worldwide as the gold standard for video/EEG systems used for diagnostic monitoring and analysis of epilepsy. The Company believes that the synergies created by combining the Grass Instrument products together with the Telefactor products will provide greater access to markets in clinical instruments for EEG, sleep monitoring, epilepsy monitoring, neurophysiological research instruments and consumables. This combination will also enable the Company to expand in the high growth areas of ambulatory monitoring and intensive care unit and operating room monitoring.

T&M's product line sales declined to \$15.1 million down 5% from \$15.9 million from the previous year. T&M's sales declined as a result of the new Everest Telemetry Recorder Workstation product taking longer than anticipated to gain acceptance in the marketplace. While T&M's sales were down for fiscal year 2001, its sales have increased significantly each quarter during the year. T&M's fourth quarter sales were 11% higher than the same period in the previous fiscal year.

QLS's product line sales increased to \$18.8 million, up 11% from \$17.0 million in the prior year. The Company continues to target specific markets to distribute its wide range of QLS color printer systems, monochrome printer systems, applicator and print & apply systems. These markets include medical device manufacturers, tire manufacturers, financial services companies, private label manufacturers and packaging industries.

Grass-Telefactor's product line sales increased to \$17.8 million, up 33% from \$13.3 million in the prior year. Excluding the impact of Telefactor sales Grass sales alone increased 9%. This sales growth is attributable primarily to the Grass Heritage(R) EEG & PSG products in the high growth sleep monitoring device market.

Product sales in the domestic channels represented 73% of the Company's overall sales. Domestic QLS sales grew 15% over last year, and Grass- Telefactor's domestic sales increased 32% from the prior year. Sales of Grass Instruments products alone were responsible for 11% of the year over year increase in Grass-Telefactor. Domestically T&M's sales were down 5% from the previous year.

Sales through the international channels account for 27% of the Company's annual sales and provided the Company with 12% sales growth in fiscal 2001. Telefactor's international sales accounted for 9% of the sales growth in the international channels. During fiscal 2001, the U.S. dollar continued to strengthen making the Company's products less competitive internationally; however, despite this fact the Company's European sales offices were able to increase their sales year over year on a local currency basis by approximately 19%. This increase is attributable primarily to the increase in T&M's sales in France and Italy.

Gross profit increased 10% to \$20.8 million in fiscal 2001 from \$18.9 million in fiscal 2000. The Company's gross profit margin declined to 40.2% from 40.9% primarily as a result of the Telefactor acquisition and lower margins on T&M products. In the third quarter of fiscal 2001, the Telefactor manufacturing facility in Pennsylvania was closed and the manufacturing was transferred to the Grass manufacturing facility in Braintree, Massachusetts. The combination of these two operations and the resulting workforce reduction will reduce manufacturing expenses annually by approximately \$500,000.

Selling, general and administrative spending rose 12% to \$16.5 million from \$14.7 million. The increase in selling, general and administrative expenses is attributable to the Telefactor acquisition and the increase in use of outside services. Selling, general and administrative expenses as a percent of sales remained flat at 32% this year as compared to the prior year. In February 2001, we terminated certain Telefactor sales and administrative positions. This additional workforce reduction is expected to yield savings in excess of \$500,000 annually.

Research & development expenses rose to \$4.3 million in fiscal 2001 from \$3.4 million in fiscal 2000. The increase is a result of the additions of engineering personnel from Telefactor as well as salaries and product development related research projects. Research & development as a percentage of sales rose to 8.2% in this fiscal year as compared 7.3% in the prior year.

Interest and dividend income declined in fiscal 2001 to \$458,000 from \$666,000 in fiscal 2000. The decrease is due to lower investment levels resulting from the Telefactor acquisition and Company's stock buyback program. Other expense for fiscal 2001 was \$126,000 down from last fiscal year expense of \$190,000. These expenses consist primarily of net losses on foreign currency exchange with our European branches. These foreign currency exchange losses declined as the U.S. dollar weakened.

Income before taxes declined to \$402,000 in fiscal 2001 from the previous fiscal year's income before taxes of \$1,249,000 as result of the items noted above.

Changes in the effective income tax rate from year to year are explained in Note 6 of Notes to Consolidated Financial Statements included elsewhere herein.

Net income declined to \$302,000 in fiscal 2001 down from fiscal 2000 net income of \$937,000. Net income per share on a diluted basis was \$0.07 in fiscal 2001 as compared with \$0.21 per diluted share in fiscal 2000.

#### Fiscal Year 2000 compared to Fiscal Year 1999

The Company's sales in fiscal 2000 increased \$3.9 million to \$46.1 million, a 9% increment over fiscal 1999 sales of \$42.2 million. The sales increase was due to growth in product demand in the Company's domestic and international channels as well as sales from the fourth quarter acquisition of the Telefactor Corporation. Telefactor sales included in the fiscal 2000 annual results were \$1.2 million and represented less than 3% of the Company's annual sales revenues.

The Grass-Telefactor product line sales increased 24% to \$13.3 million in fiscal 2000 up from \$10.7 million in fiscal 1999. Excluding the impact of the Telefactor acquisition Grass Instrument sales increased 14%. The QLS products continued their double-digit growth profile in fiscal 2000. Sales increased 10% to \$17.0 million in fiscal 2000 up from \$15.4 million in fiscal 1999. The T&M product line sales declined 1% to \$15.8 million in fiscal year 2000 down from \$16.1 million in fiscal 1999. This decline tempered the double-digit decline experienced over the previous two years. T&M's products have been adversely affected by the decline in spending in the aerospace industry. The strategy to reverse this trend was to develop a state of the art interactive touchscreen recorder, the "Everest Telemetry Recorder Workstation," that will replace existing recorders and that can be adapted to other commercial applications.

Product sales in the domestic channels represented 73% of the Company's overall sales. QLS sales grew 12% over last year, and Grass-Telefactor product lines contributed 22% in sales growth over the prior year. Sales of Grass Instruments products alone were responsible for 14% of the year over year increase in the Grass-Telefactor product group.

Sales through international channels accounted for 27% of the Company's annual sales.

Gross profit increased 14% to \$18.9 million in fiscal 2000 from \$16.6 million in fiscal 1999. The Company's gross profit margin improved to 40.9% from 39.3%. Fiscal 2000 yield is due to a healthy product group mix and improved margins in the QLS and Grass-Telefactor product groups respectively.

Selling, general and administrative spending rose 6% to \$14.7 million from \$13.9 million. Personnel additions in Telefactor sales, marketing and administrative functions represents 2% of the rate increase. The balance of the incremental spending was confined to personnel and outside professional service expenses. Selling, general and administrative expenses as a percent of sales revenues declined to 32% from last year's 33%.

Research & development expenses rose 14% to \$3.4 million in fiscal 2000 from \$2.9 million in fiscal 1999. The spending increment is traceable to the additions of engineering personnel from Telefactor as well as salaries and product development related research projects.

Interest and dividend income declined by 15% in fiscal 2000 to \$666,000 from \$786,000 in fiscal 1999. The decrease is due to lower investment levels as cash has been used for the Telefactor acquisition as well as the Company's stock buyback program. Interest expense at \$18,000 was lower in fiscal 2000 by 18% from the prior year's \$22,000. The reduction reflects the declining balance of the Company's capital lease obligation.

Other expense for fiscal 2000 was \$190,000, an adverse change from fiscal 1999's other income of \$113,000. The change is traceable to unfavorable fluctuations in the foreign currency exchange rate in our European branches stemming primarily from the strengthening of the U.S. dollar.

Income before taxes rose \$639,000 to \$1,249,000 in fiscal year 2000 from the previous fiscal year's income before taxes of \$610,000. The effective tax rate for fiscal 2000 is 25% as compared to the fiscal 1999 rate of 19%. Changes in the effective income tax rate from year to year are explained in Note 6 of Notes to Consolidated Financial Statements included elsewhere herein.

Net income rose to \$937,000 in fiscal 2000 from \$496,000 in fiscal 1999. Net Income per share on a diluted share basis was \$0.21 in fiscal 2000 as compared with \$0.11 per diluted share in fiscal 1999. The Company improved its return on sales to 2.0% from the prior year's return of 1.1%.

### **Liquidity and Capital Resources**

The Company expects to finance its future working capital needs, capital expenditures and acquisition requirements through internal funds. To the extent the Company's capital and liquidity requirements are not satisfied internally, the Company may utilize a \$1.5 million unsecured bank line of credit, all of which is currently available. Borrowings under this line of credit bear interest at the bank's prime rate.

The Company's Statements of Cash Flows for the three years ending January 31, 2001, 2000 and 1999 are included on page 31. Net cash flow used by operating activities was \$2.6 million in fiscal 2001 versus net cash flow provided by operating activities of \$4.7 million in fiscal 2000 and \$3.2 million in fiscal 1999, respectively. The decline in net cash flow from operations in fiscal 2001 is attributed primarily to the timing of payments to vendors; increase in income tax payments and the decline in net income. Working capital balances at January 31, 2001 were \$21.9 million, a 2% reduction from the \$22.4 million at January 31, 2000. The composition of fiscal 2001 year-end working capital balance includes cash and marketable securities of \$6.2 million as compared to \$11.2 million of cash and marketable securities at the end of last year. The Company's cash collection cycle increased to 66 days sales outstanding from the prior year's 54 days.

Net cash flow provided by investing activities was \$871,000 in fiscal 2001 versus net cash flow used by investing activities of \$4.2 million in fiscal 2000 and \$1.0 million in fiscal 1999. The significant change in fiscal year 2001 can be attributed to investments being liquidated to fund the stock repurchase and certain capital expenditures. The significant use of cash in fiscal 2000 is attributed to the acquisition of Telefactor. Capital expenditures were \$1,204,000, \$975,000 and \$600,000 in fiscal 2001, 2000 and 1999, respectively.

Net cash used by financing activities was \$1.5 million in fiscal 2001, \$1.4 million in fiscal 2000 and \$2.9 million in fiscal 1999, respectively. This category includes dividends paid to shareholders and the repurchase of the Company's common stock. Dividends paid for the three years ended fiscal 2001 were \$700,000, \$709,000 and \$744,000, respectively. The Company's annual dividend per share was \$0.16 in all three years. In fiscal 2001, the Company repurchased 201,600 shares of the common stock at a cost of \$807,900. In fiscal 2000 and 1999 the Company repurchased \$451,000 and \$2.0 million of its common stock, respectively. Since the inception of the stock buy back program in fiscal 1997, the Company has repurchased 867,824 shares of its common stock. In January of 2001, the Board of Directors' increased the authorization to purchase by an additional 250,000 shares of the Company's common stock to take advantage of any future buying opportunities.

The Company has a contingent obligation relating to the Telefactor acquisition that requires the Company to pay additional consideration to the sellers if certain sales amounts are achieved during the seventy-two months following the closing of the transaction.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

### **Foreign Exchange Risk**

The Company's financial results are affected by changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which products are sold. The Company's primary currency exposures are European Common Currency (Euro), British Pound, and Canadian Dollar. At January 31, 2001, the Company's investment in foreign assets was \$2,935,500. An overall unfavorable change in foreign exchange rates of 10% would have resulted in a reduction in net income of \$84,000 and a \$136,500 reduction in shareholders' equity as a result of the impact on the cumulative translation adjustment.

The Company historically has not entered into any foreign exchange contracts to hedge its foreign currency positions, the Company has developed a hedging strategy and the Company may in the future enter into these contracts to minimize its exposure to foreign exchange risk.

The functional currencies of the Company's foreign affiliates are their respective local operating currencies, which are translated for consolidated financial reporting purposes into U.S. dollars.

**Item 8. Financial Statements and Supplementary Data**

The consolidated financial statements required under this item are submitted as a separate section of this report on the pages indicated at Item 14(a)(1). The supplementary data regarding quarterly results of operations is set forth in the following table.

**QUARTERLY FINANCIAL DATA (Unaudited)**

(Dollars in Thousands, Except Per Share Amounts)

	Quarters Ended			
	April 29, 2000	July 29, 2000	October 28, 2000	January 31, 2001
Net Sales.....	\$12,530	\$13,384	\$11,881	\$13,893
Gross Profit.....	5,170	5,403	4,233	5,986
Net Income (Loss).....	158	268	(698)	573
Net Income (Loss) Per Common Share--Basic.....	.04	.06	(.16)	.13
Net Income (Loss) Per Common Share--Diluted.....	.04	.06	(.16)	.13
	May 1, 1999	July 31, 1999	October 30, 1999	January 31, 2000
Net Sales.....	\$10,524	\$11,231	\$11,184	\$13,204
Gross Profit.....	4,055	4,566	4,574	5,668
Net Income (Loss).....	(271)	271	410	526
Net Income (Loss) Per Common Share--Basic.....	(.06)	.06	.09	.12
Net Income (Loss) Per Common Share--Diluted.....	(.06)	.06	.09	.12

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### PART III

#### Item 10. Directors and Executive Officers of the Registrant

The response to this item is incorporated by reference to the Company's definitive proxy statement for the 2001 annual meeting of shareholders.

The following is a list of the names and ages of, and the positions and offices presently held by, all executive officers of the Company. All officers serve at the pleasure of the Board of Directors.

Name	Age	Position
----	---	-----
Albert W. Ondis.....	75	Chairman, Chief Executive Officer and Director
Everett V. Pizzuti...	64	President, Chief Operating Officer and Director
Terence J. Jones.....	54	Senior Vice President
Joseph P. O'Connell..	57	Vice President and Treasurer, Chief Financial Officer
John B. Chatten.....	73	President, Grass--Telefactor Product Group
Elias G. Deeb.....	59	Vice President--Media Manufacturing
Michael J. Sullivan..	50	Vice President and Chief Technology Officer
Stephen M. Petrarca..	38	Vice President--Instrument Manufacturing
Michael F. Silveira..	35	Corporate Controller

All of the persons named above have held the positions identified since January 31, 1985, except as indicated below.

Mr. Ondis has been a Director and Chief Executive Officer since 1969. He was previously President and the Chief Financial Officer (Treasurer) of the Company from 1969 to 1985.

Mr. Pizzuti was previously a Vice President of the Company functioning as Chief Operating Officer since 1971.

Mr. Jones joined the Company in 2000. He previously held various senior management positions with the Avery Dennison Corporation. Most recently serving as Vice President of Business Development and Process Improvement at Fasson Roll Worldwide.

Mr. O'Connell joined the Company in 1996. He previously held senior financial management positions with Cherry Tree Products Inc., IBI Corporation and Dennison Manufacturing Company. Mr. O'Connell is also Assistant Secretary of the Company.

Mr. Chatten joined the Company in December 1999 as President of Grass- Telefactor Product Group. Prior to that, Mr. Chatten was founder and President of Telefactor Corporation which was acquired by Astro-Med in December 1999.

Mr. Deeb has held the position identified since 1987. In 1985, he was named General Manager--Media Products after having been Vice President and General Manager since 1981 of a business sold by the Company in 1984.

Mr. Sullivan was appointed Vice President and Chief Technology Officer in 2000. Mr. Sullivan is an electronic engineer and has been with the Company for seventeen years.

Mr. Petrarca was appointed Vice President of Instrument Manufacturing in November 1998. Mr. Petrarca has previously held positions as General Manager of Manufacturing, Manager of Grass Operations and Manager of Grass Sales. He has been with the Company since 1980.

Mr. Silveira joined the Company in 2000. Mr. Silveira previously held financial management positions with Textron Inc., most recently serving in the Industrial Products, Mergers & Acquisitions group and with KPMG Peat Marwick LLP. Mr. Silveira is a certified public accountant.

**Item 11. Executive Compensation**

The response to this item is incorporated by reference to the Company's definitive proxy statement for the 2001 annual meeting of shareholders.

**Item 12. Security Ownership of Certain Beneficial Owners and Management**

The response to this item is incorporated by reference to the Company's definitive proxy statement for the 2001 annual meeting of shareholders.

**Item 13. Certain Relationships and Related Transactions**

The response to this item is incorporated by reference to the Company's definitive proxy statement for the 2001 annual meeting of shareholders.

**PART IV**

**Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

(a)(1) Financial Statements:

The following consolidated financial statements of Astro-Med, Inc. and subsidiaries are incorporated by reference in Item 8:

	Page
	----
Report of Independent Public Accountants.....	27
Consolidated Balance Sheets as of January 31, 2001 and 2000.....	28
Consolidated Statements of Income--Years Ended January 31, 2001, 2000 and 1999.....	29
Consolidated Statements of Comprehensive Income and Changes in Shareholders' Equity--Years Ended January 31, 2001, 2000 and 1999.....	30
Consolidated Statements of Cash Flows--Years Ended January 31, 2001, 2000 and 1999.....	31
Notes to Consolidated Financial Statements.....	32

(a)(2) Financial Statement Schedules:

Schedule II--Valuation and Qualifying Accounts and Reserves-- Years Ended January 31, 2001, 2000 and 1999.....	40
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All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

(a)(3) Exhibits:

Exhibit  
Number

- 
- (3A) Articles of Incorporation of the Company and all amendments thereto (filed as Exhibit No. 3A to the Company's report on Form 10-Q for the quarter ended August 1, 1992 and by this reference incorporated herein).
  - (3B) By-laws of the Company and all amendments thereto (filed as Exhibit No. 3B to the Company's report on Form 10-Q for the quarter ended July 30, 1988 and by this reference incorporated herein).
  - (4) Specimen form of common stock certificate of the Company (filed as Exhibit No. 4 to the Company's report on Form 10-K for the year ended January 31, 1985 and by this reference incorporated herein).
  - (10.1) Astro-Med, Inc. 1989 Non-Qualified Stock Option Plan, as amended, filed as Exhibit 4.3 to Registration Statement on Form S-8, Registration No. 333-32317 and incorporated by reference herein. (a)
  - (10.2) Astro-Med, Inc. 1989 Incentive Stock Option Plan, as amended, filed as Exhibit 28 to Registration Statement on Form S-8, Registration No. 333-43700, and incorporated by reference herein. (a)
  - (10.3) Astro-Med, Inc. 1993 Incentive Stock Option Plan filed as Exhibit 4.3 to Registration Statement on Form S-8, Registration No. 333-24127, and incorporated by reference herein. (a)
  - (10.4) Astro-Med, Inc. Non-Employee Director Stock Option Plan filed as Exhibit 4.3 to Registration Statement on Form S-8, Registration No. 333-24123, and incorporated by reference herein. (a)
  - (10.5) Astro-Med, Inc. 1997 Incentive Stock Option Plan, as amended, filed as Exhibit 4.3 to Registration Statements on Form S-8, Registration Nos. 333-32315, 333-93565 and 333-44414, and incorporated by reference herein. (a)
  - (10.6) Astro-Med, Inc. 1998 Non-Qualified Stock Option Plan, filed as Exhibit 4.3 to Registration Statement on Form S-8, Registration No. 333-62431, and incorporated by reference herein.
  - (10.7) Employment Agreement between Astro-Med, Inc. and John B. Chatten dated as of December 14, 1999, filed as Exhibit 4.3 to Registration Statement on Form S-8, Registration No. 333-62431, and incorporated by reference herein. (a)
  - (21) List of Subsidiaries of the Company. See page 27.
  - (23) Consent of Independent Public Accountants. See page 27.

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(a) Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

None



## EXHIBIT 21

### LIST OF SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction of Organization
AWO, Inc.	Delaware
Astro-Med International Inc.	Barbados
Astro-Med SRL	Italy
Astro-Med GMBH	Germany

## EXHIBIT 23

### CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 16, 2001, included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8: File No. 2- 21081 pertaining to the Astro-Med, Inc. Employee Stock Purchase Plan, File No. 33-43700 pertaining to the Astro-Med, Inc. 1989 Incentive Stock Option Plan, File No. 333-24127 pertaining to the Astro-Med, Inc. 1993 Incentive Stock Option Plan. File Nos. 333-32315, 333-93565 and 333-44414 pertaining to the Astro-Med, Inc. 1997 Incentive Stock Option Plan. File No. 333-32317 pertaining to the 1989 Astro-Med, Inc. Non-Qualified Stock Option Plan as amended May 28, 1991, File No. 333-62431 pertaining to the 1998 Astro-Med, Inc. Non-Qualified Stock Option Plan and File No. 333-24123 pertaining to the Astro-Med, Inc. Non-Employee Director Stock Option Plan. It should be noted that we have not audited any financial statements of the Company subsequent to January 31, 2001 or performed any audit procedures subsequent to the date of our report.

### ARTHUR ANDERSEN LLP

Boston, Massachusetts  
April 17, 2001

### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

#### To the Shareholders of Astro-Med, Inc.:

We have audited the accompanying consolidated balance sheets of Astro-Med, Inc. and subsidiaries as of January 31, 2001 and 2000, and the related consolidated statements of income, comprehensive income and changes in shareholders' equity and cash flows for each of the three years in the period ended January 31, 2001. 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 financial position of Astro-Med, Inc. and subsidiaries as of January 31, 2001 and 2000, and the results of their operations and cash flows for each of the three years in the period ended January 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index at Item 14(a)(2) is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

### ARTHUR ANDERSEN LLP

Boston, Massachusetts  
March 16, 2001

**ASTRO-MED, INC.**

**CONSOLIDATED BALANCE SHEETS**

**As of January 31, 2001 and 2000**

	2001	2000
ASSETS	-----	-----
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents.....	\$ 806,069	\$ 4,035,867
Securities Available for Sale.....	5,362,523	7,211,921
Accounts Receivable, less reserves of \$467,882 and \$405,783, respectively.....	10,663,624	9,270,814
Inventories.....	10,782,425	10,821,521
Prepaid Expenses and Other Current Assets.....	2,038,227	1,926,111
	-----	-----
Total Current Assets.....	29,652,868	33,266,234
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Improvements.....	398,191	398,191
Buildings and Improvements.....	7,236,148	7,087,520
Machinery and Equipment.....	14,912,966	13,616,612
	-----	-----
	22,547,305	21,102,323
Less Accumulated Depreciation.....	(14,259,992)	(12,874,889)
	-----	-----
	8,287,313	8,227,434
<b>OTHER ASSETS</b>		
Goodwill, net.....	2,465,494	3,153,371
Amounts Due from Officers.....	480,314	480,314
Other.....	172,941	257,178
	-----	-----
	3,118,749	3,890,863
	-----	-----
	\$ 41,058,930	\$ 45,384,531
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
-----		
<b>CURRENT LIABILITIES</b>		
Accounts Payable.....	\$ 3,711,248	\$ 6,379,792
Accrued Compensation.....	1,974,223	1,710,622
Accrued Expenses.....	1,916,597	2,324,593
Income Taxes Payable.....	96,058	337,979
Current Maturities of Long-Term Debt.....	46,832	60,452
	-----	-----
Total Current Liabilities.....	7,744,958	10,813,438
LONG-TERM DEBT, Less Current Maturities.....	24,755	71,588
DEFERRED INCOME TAXES.....	996,157	1,278,921
<b>SHAREHOLDERS' EQUITY</b>		
Preferred Stock, \$10 Par Value, Authorized 100,000 Shares, Issued None.....	--	--
Common Stock, \$0.05 Par Value, Authorized 13,000,000 Shares, Issued 5,160,780 and 5,148,035, respectively.....	258,039	257,402
Additional Paid-in Capital.....	5,706,870	5,647,791
Retained Earnings.....	32,667,859	33,065,454
Treasury Stock, at Cost, 930,895 and 729,295 Shares, respectively.....	(6,076,003)	(5,268,103)
Accumulated Other Comprehensive Loss.....	(263,705)	(481,960)
	-----	-----
	32,293,060	33,220,584
	-----	-----
	\$ 41,058,930	\$ 45,384,531
	=====	=====

The accompanying notes are an integral part of these financial statements.

**ASTRO-MED, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**

**Years Ended January 31, 2001, 2000 and 1999**

	2001	2000	1999
Net Sales.....	\$51,687,763	\$46,143,206	\$42,166,185
Cost of Sales.....	30,895,584	27,280,835	25,586,919
Gross Profit.....	20,792,179	18,862,371	16,579,266
Costs and Expenses:			
Selling, General and Administrative..	16,455,696	14,717,092	13,907,389
Research and Development.....	4,255,434	3,353,883	2,938,820
	20,711,130	18,070,975	16,846,209
Operating Income (Loss).....	81,049	791,396	(266,943)
Other Income (Expense):			
Interest and Dividend Income.....	458,191	665,687	786,084
Interest Expense.....	(11,051)	(18,239)	(22,197)
Other, net.....	(125,700)	(189,987)	112,721
	321,440	457,461	876,608
Income before Income Taxes.....	402,489	1,248,857	609,665
Provision for Income Taxes.....	100,000	312,214	114,000
Net Income.....	\$ 302,489	\$ 936,643	\$ 495,665
Net Income Per Common Share--Basic.....	\$ 0.07	\$ 0.21	\$ 0.11
Net Income Per Common Share--Diluted...	\$ 0.07	\$ 0.21	\$ 0.11
Weighted Average Number of Common Shares Outstanding--Basic.....	4,386,852	4,434,108	4,651,711
Weighted Average Number of Common Shares Outstanding--Diluted.....	4,407,632	4,475,371	4,679,398
Dividends Declared Per Common Share....	\$ 0.16	\$ 0.16	\$ 0.16

The accompanying notes are an integral part of these financial statements.

**ASTRO-MED, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN SHAREHOLDERS' EQUITY**

**Years Ended January 31, 2001, 2000 and 1999**

	2001	2000	1999
	-----	-----	-----
Comprehensive Income			
Net Income.....	\$ 302,489	\$ 936,643	\$ 495,665
Other Comprehensive Income, Net			
Foreign currency translation adjustments.....	(52,303)	(34,865)	18,681
Unrealized gain (loss) on securities available for sale.....	270,558	(301,872)	6,193
	-----	-----	-----
Other comprehensive income (loss), net..	218,255	(336,737)	24,874
	-----	-----	-----
Comprehensive Income.....	\$ 520,744	\$ 599,906	\$ 520,539
	=====	=====	=====
Shareholders' Equity			
Common Stock, \$0.05 Par Value:			
Balance at beginning of year.....	\$ 257,402	\$ 257,176	\$ 257,023
Net proceeds from issuance of Company common stock (Note 5).....	637	226	153
	-----	-----	-----
Balance at end of year.....	258,039	257,402	257,176
	-----	-----	-----
Additional Paid-In Capital:			
Balance at beginning of year.....	5,647,791	5,641,317	5,649,101
Net proceeds from issuance of Company common stock (Note 5).....	59,079	23,714	18,498
Net cost of shares issued to Employee Stock Ownership Plan (Note 5).....	--	(17,240)	(26,282)
	-----	-----	-----
Balance at end of year.....	5,706,870	5,647,791	5,641,317
	-----	-----	-----
Retained Earnings:			
Balance at beginning of year.....	33,065,454	32,837,880	33,085,917
Net income.....	302,489	936,643	495,665
Dividends paid.....	(700,084)	(709,069)	(743,702)
	-----	-----	-----
Balance at end of year.....	32,667,859	33,065,454	32,837,880
	-----	-----	-----
Treasury Stock:			
Balance at beginning of year.....	(5,268,103)	(4,889,343)	(3,062,945)
Purchases of Company common stock (Note 5).....	(807,900)	(451,000)	(1,954,680)
Net cost of shares issued to Employee Stock Ownership Plan (Note 5).....	--	72,240	128,282
	-----	-----	-----
Balance at end of year.....	(6,076,003)	(5,268,103)	(4,889,343)
	-----	-----	-----
Accumulated Other Comprehensive Loss:			
Balance at beginning of year.....	(481,960)	(145,223)	(170,097)
Other comprehensive income (loss), net.....	218,255	(336,737)	24,874
	-----	-----	-----
Balance at end of year.....	(263,705)	(481,960)	(145,223)
	-----	-----	-----
Total Shareholders' Equity.....	\$32,293,060	\$33,220,584	\$33,701,807
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

**ASTRO-MED, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended January 31, 2001, 2000 and 1999**

	2001	2000	1999
Cash Flows from Operating Activities:			
Net Income.....	\$ 302,489	\$ 936,643	\$ 495,665
Adjustments to Reconcile Net Income to Net Cash Provided (Used) By			
Operating Activities:			
Depreciation and Amortization.....	1,774,764	1,355,513	1,234,048
Loss on Sale of Assets.....	--	3,017	--
Deferred Income Taxes.....	(182,410)	(212,951)	(436,425)
Other.....	258,807	76,674	(1,721)
Changes in Assets and Liabilities:			
Accounts Receivable.....	(1,392,810)	(986,656)	119,258
Inventories.....	(419,461)	(439,547)	1,836
Other.....	133,010	371,381	185,749
Accounts Payable and Accrued Expenses.....	(2,563,107)	3,484,198	1,126,787
Income Taxes Payable.....	(503,166)	106,342	448,261
Total Adjustments.....	2,894,373	3,757,971	2,677,793
Net Cash (Used) Provided by Operating Activities.....	(2,591,884)	4,694,614	3,173,458
Cash Flows from Investing Activities:			
Proceeds from Sales of Securities Available for Sale.....	5,170,695	3,838,473	10,153,724
Purchases of Securities Available for Sale.....	(3,321,296)	(3,446,395)	(10,582,545)
Proceeds from Sales of Assets.....	--	2,800	--
Escrow Returned (Payment) for Acquisition.....	225,000	(3,657,098)	--
Additions to Property, Plant and Equipment.....	(1,203,592)	(975,113)	(600,395)
Net Cash Provided (Used) by Investing Activities.....	870,807	(4,237,333)	(1,029,216)
Cash Flows from Financing Activities:			
Payments of Debt.....	--	(75,000)	(50,000)
Principal Payments on Capital Leases.....	(60,453)	(156,574)	(127,774)
Proceeds from Common Shares Issued Under Employee Benefit Plans.....	59,716	23,940	18,651
Purchases of Treasury Stock.....	(807,900)	(451,000)	(1,954,680)
Dividends Paid.....	(700,084)	(709,069)	(743,702)
Net Cash Used by Financing Activities.....	(1,508,721)	(1,367,703)	(2,857,505)
Net Decrease in Cash and Cash Equivalents.....	(3,229,798)	(910,422)	(713,263)
Cash and Cash Equivalents, Beginning of Year.....	4,035,867	4,946,289	5,659,552
Cash and Cash Equivalents, End of Year.....	\$ 806,069	\$ 4,035,867	\$ 4,946,289
Supplemental Information:			
Cash Paid During the Period for:			
Interest.....	\$ 11,104	\$ 17,504	\$ 24,072
Income Taxes.....	\$ 746,000	\$ 406,182	\$ 257,889

The accompanying notes are an integral part of these financial statements.

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2001

**Note 1--Summary of Significant Accounting Policies**

**Principles of Consolidation:** The consolidated financial statements include the accounts of Astro-Med, Inc. (the Company) and its subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation. Certain prior year balances have been reclassified to conform to the current year reporting format.

**Cash and Cash Equivalents:** Highly liquid investments with an original maturity of three months or less at date of acquisition are considered to be cash equivalents when purchased as part of the Company's cash management activities. Similar investments with original maturities beyond three months are classified as securities available for sale.

**Securities Available for Sale:** Securities available for sale are carried at market value based on quoted market prices. The difference between cost and market value, net of related tax effects, is recorded as a component of accumulated other comprehensive income of shareholders' equity.

**Property, Plant and Equipment:** Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets (land improvements--10 to 20 years; buildings and improvements--10 to 45 years; machinery and equipment--3 to 10 years). Included in property, plant and equipment is \$251,600 of construction in progress at January 31, 2001.

**Amortization of Intangibles:** Goodwill from the acquisition of Telefactor is being amortized over 15 years. All other goodwill is amortized on the straight-line method over 40 years. Accumulated amortization amounted to \$721,947 and \$552,577 as of January 31, 2001 and 2000, respectively. At each balance sheet date, in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, the Company evaluates the carrying value of Long-Lived Assets. The Company believes that no material impairment exists at January 31, 2001.

**Derivative Instruments and Hedging:** The Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which was amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS No. 133, in June 1999 which was then amended in June 2000 by SFAS No. 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities-- an Amendment to SFAS No. 133 (combined SFAS No. 133). SFAS No. 133 is now effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The statement requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The adoption of this statement is not expected to have a material impact on the Company's results of operations or financial position.

**Revenue Recognition:** Revenue is recognized when products or services are performed and the risk and rewards of ownership have been transferred. The Securities and Exchange Commission required companies to adopt Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements in the fourth quarter of fiscal 2001. This SAB provides additional guidance on the accounting for revenue recognition, including broad conceptual discussions as well as certain industry--specific guidance. The adoption of this SAB did not have a material impact on the Company's financial position or quarterly or annual results of operations.

In July 2000, the Emerging Issues Task Force, a body of the Financial Accounting Standards Board, reached a consensus on Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs. The consensus requires companies to start reporting amounts billed to customers in a sales transaction related to shipping and handling as revenue in the fourth quarter of fiscal year 2001. The Company previously reported these amounts

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

as a reduction of cost of goods sold. All periods presented have been reclassified to conform to the current practice. The amounts reclassified were \$650,295, \$574,460 and \$604,685, respectively for the three years ending January 31, 2001.

**Foreign Currency:** The financial statements of foreign subsidiaries are measured using the local currency as the functional currency. The Company translates foreign currency denominated assets and liabilities into U.S. dollars at year-end exchange rates with the translation adjustment reported as a separate component of shareholders' equity. Revenues and expenses are translated at average exchange rates during the year.

**Income Taxes:** The Company accounts for income taxes in accordance with Statement of Financial Accounting Standard (SFAS) No. 109, Accounting for Income Taxes. This SFAS requires that deferred income taxes be determined based on estimated future tax effects of differences between the tax and book bases of assets and liabilities considering the provisions of enacted tax laws.

**Earnings Per Common Share:** Earnings per common share have been computed and presented pursuant to the provisions of Statement of Financial Accounting Standards No. 128 (SFAS 128), Earnings per Share. Net income per share is based on the weighted average number of shares outstanding during the period. Net income per share assuming dilution is based on the weighted average number of shares and potential common shares for stock options outstanding during the period using the treasury stock method. In accordance with SFAS 128, options to purchase 1,093,825, 600,325 and 653,500 shares of common stock were outstanding during fiscal 2001, 2000 and 1999, respectively, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

	2001	2000	1999
Weighted Average Common Shares Outstanding--			
Basic.....	4,386,852	4,434,108	4,651,711
Dilutive Effect of Options Outstanding.....	20,780	41,263	27,687
Weighted Average Common Shares Outstanding--			
Diluted.....	4,407,632	4,475,371	4,679,398

**Use of Estimates:** The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect these financial statements and accompanying notes. Some of the more significant estimates include the allowance for doubtful accounts, inventory valuation and warranty reserves. Management's estimates are based on the facts and circumstances available at the time estimates are made, past historical experience, risk of loss, general economic conditions and trends, and management's assessments of the probable future outcome of these matters. Consequently, actual results could differ from those estimates.

**Fair Value of Financial Instruments:** The Company's financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The carrying amounts of these financial instruments as of January 31, 2001 approximate fair value.

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

**Note 2--Securities Available for Sale**

Securities available for sale include corporate and governmental obligations with various contractual or anticipated maturity dates. Governmental obligations include U.S. Government, State, Municipal and Federal Agencies securities. The market value, amortized cost and gross unrealized gains and losses of the securities are as follows:

	Market Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
	-----	-----	-----	-----
January 31, 2001				
Corporate.....	\$1,486,495	\$12,801	(\$ 11,239)	\$1,478,933
Governmental.....	3,876,028	17,063	( 22,014)	3,880,979
	\$5,362,523	\$29,864	(\$ 33,253)	\$5,365,912
	=====	=====	=====	=====
January 31, 2000				
Corporate.....	\$2,179,794	\$ --	(\$ 77,194)	\$2,256,988
Governmental.....	5,032,127	3,389	( 200,142)	5,228,880
	\$7,211,921	\$ 3,389	(\$277,336)	\$7,485,868
	=====	=====	=====	=====

The cost of securities available for sale that were sold was based on specific identification in determining realized gains or losses included in the accompanying consolidated statements of income.

The expected maturity dates of these securities are as follows: Less than one year--\$881,971; One to Five Years--\$2,848,009; Six to Ten Years- \$1,125,696 and greater than Ten Years--\$506,847. Actual maturities may differ as a result of sales or earlier issuer redemptions.

**Note 3--Inventories**

Inventories are stated at the lower of cost (first-in, first-out) or market and include material, labor and manufacturing overhead. The components of inventories were as follows:

	January 31,	
	2001	2000
	-----	-----
Materials and Supplies.....	\$ 5,921,934	\$ 5,835,050
Work-in-Progress.....	1,282,466	1,557,734
Finished Goods.....	3,578,025	3,428,737
	\$10,782,425	\$10,821,521
	=====	=====

**Note 4--Long-Term Debt**

Long-term debt consisted of the following:

	January 31,	
	2001	2000
	-----	-----
Capital Lease Obligations.....	\$ 71,587	\$ 132,040
Less Current Maturities.....	46,832	60,452
	\$ 24,755	\$ 71,588
	=====	=====

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

The amounts of long-term debt as of January 31, 2001 are scheduled to mature as follows: \$46,832 in fiscal 2002 and \$24,755 in fiscal 2003.

**Note 5--Shareholders' Equity**

Common Stock: The Company's Board of Directors has authorized the purchase of up to an additional 250,000 shares of the Company's common stock on the open market. The Company repurchased 201,600, 77,000 and 323,400 shares, of its common stock in fiscal 2001, 2000 and 1999, respectively.

The Company maintains the following benefit plans involving the Company's common stock:

Stock Option Plans: As of January 31, 2001, the Company has two incentive stock option plans and one non-qualified stock option plan under which options may be granted to officers and key employees. Options vest over various periods that range from six months to five years. Options for an aggregate of 1,500,000 shares may be granted under the incentive stock option plans at option prices of not less than fair market value at the date of grant. Options for an aggregate of 400,000 shares may be granted under the non-qualified plan at option prices of not less than 50% of fair market value at the date of grant.

In addition, the Company has a Non-Employee Director Stock Option Plan under which each non-employee director automatically receives an annual grant of options to acquire 1,000 shares of common stock. The options are granted as of the first business day of January of each year at an option price equal to the fair market value at the date of grant. Options for a total of 30,000 shares may be granted under the plan.

Summarized option data for all plans is as follows:

	Number of Shares	Option Price Per Share	Weighted Average Option Price Per Share
	-----	-----	-----
Outstanding Options, January 31, 1998.....	620,850	\$3.33-14.30	\$8.79
Options Granted.....	216,500	6.13- 8.13	7.92
Options Expired.....	(56,250)	3.33-14.30	9.25
	-----		
Options Outstanding, January 31, 1999.....	781,100	3.33-13.00	8.51
Options Granted.....	253,700	4.94- 6.25	5.22
Options Exercised.....	(1,000)	4.94	4.94
Options Expired.....	(158,325)	4.94-11.29	8.93
	-----		
Options Outstanding, January 31, 2000.....	875,475	3.33-13.00	7.49
Options Granted.....	568,500	3.75- 7.50	6.90
Options Exercised.....	(9,500)	3.33- 4.94	4.77
Options Expired.....	(100,025)	3.33-10.25	6.93
	-----		
Options Outstanding, January 31, 2001.....	1,334,450	\$3.33-13.00	7.30
	-----		
Options Exercisable, January 31, 2001.....	1,198,450	\$3.33-13.00	7.40
	-----		
Options Exercisable, January 31, 2000.....	780,675	\$3.33-13.00	7.46
	=====		

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

Set forth below is a summary of options outstanding at January 31, 2001:

Range of Exercise prices	Outstanding			Exercisable	
	Options	Weighted Average Exercise Price	Remaining Contractual Life	Options	Weighted Average Exercise Price
\$3.33-\$5.00	240,625	\$ 4.82	9 yrs.	235,625	\$ 4.84
\$5.50-\$8.25	751,950	7.11	9 yrs.	642,950	7.37
\$8.31-\$8.50	209,000	8.41	6 yrs.	209,000	8.41
\$9.25-\$13.00	132,875	11.11	3 yrs.	110,875	11.11
	1,334,450			1,198,450	

At January 31, 2001, options covering 794,300 shares under the incentive plans, 124,000 shares under the non-qualified plan and 12,000 shares under the Non-Employee Director Stock Option Plan were available for future grant.

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company accounts for its stock-based compensation in accordance with APB No. 25 "Accounting for Stock Issued to Employees". Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates consistent with the method set forth under SFAS No. 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

	January 31		
	2001	2000	1999
Net Income (Loss)			
As reported.....	\$ 302,489	\$936,643	\$495,665
Pro forma.....	\$ (659,956)	\$599,322	\$ (42,914)
Net Income per share			
As reported.....	\$ 0.07	\$ 0.21	\$ 0.11
Pro forma, Basic.....	\$ (0.15)	\$ 0.14	\$ (0.01)
Pro forma, Diluted.....	\$ (0.15)	\$ 0.13	\$ (0.01)

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions: The weighted average grant date fair value of options granted during fiscal 2001, 2000 and 1999 was \$2.22, \$1.60 and \$2.43, respectively.

	Years Ended January 31,		
	2001	2000	1999
Risk-free interest rate.....	6.25%	5.5%	4.8%
Expected life (years).....	5	5	5
Expected volatility.....	36.0%	35.5%	35.4%
Expected dividend yield.....	2.9%	2.8%	2.4%

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

Employee Stock Purchase Plan: The Company has an Employee Stock Purchase Plan allowing eligible employees to purchase shares of common stock at a 10% discount from fair market value on the date of purchase. A total of 180,000 shares was initially reserved for issuance under the Plan. Summarized Plan activity is as follows:

	Years Ended January 31,		
	2001	2000	1999
Shares Reserved, Beginning.....	94,920	98,426	101,507
Shares Purchased.....	(3,245)	(3,506)	(3,081)
Shares Reserved, Ending.....	91,675	94,920	98,426
	=====	=====	=====

Employee Stock Ownership Plan: The Company has an Employee Stock Ownership Plan providing retirement benefits to all eligible employees. Annual contributions in amounts determined by the Company's Board of Directors are invested by the Plan's Trustees in shares of common stock of the Company. Contributions may be in cash or stock. The Company's contributions paid or accrued amounted to \$130,000 in fiscal 2001, 2000 and 1999.

Note 6--Income Taxes

The components of domestic and foreign income (loss) before the provision for income taxes are as follows:

	Years Ended January 31,		
	2001	2000	1999
Domestic.....	\$ (6,989)	\$1,021,075	\$ 530,751
Foreign.....	409,478	227,782	78,914
Total.....	\$ 402,489	\$1,248,857	\$ 609,665
	=====	=====	=====

The components of the provision for income taxes were as follows:

	Years Ended January 31,		
	2001	2000	1999
Current:			
Federal.....	\$ 194,810	\$ 387,820	\$ 206,747
State.....	(6,600)	53,842	8,687
Foreign.....	94,200	57,000	28,000
	282,410	498,662	243,434
Deferred:			
Federal.....	(160,598)	(164,143)	(106,518)
State.....	(21,812)	(22,305)	(22,916)
	(182,410)	(186,448)	(129,434)
	\$ 100,000	\$ 312,214	\$ 114,000
	=====	=====	=====

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate (34%) to income before income taxes, due to the following:

	Years Ended January 31,		
	2001	2000	1999
Income Tax Provision at Statutory Rate.....	\$136,846	\$424,611	\$207,269
State Taxes, Net of Federal Income Tax Benefits.....	(18,763)	57,697	(9,391)
Nontaxable Interest Income.....	(17,625)	(19,219)	(34,083)
Amortization of Intangibles.....	12,342	(24,663)	(61,669)
Utilization of Net Operating Loss Carryforward.....	--	(92,048)	(117,580)
Research and Development Tax Credits.....	--	(133,000)	--
Other, Net.....	(12,800)	98,836	129,454
	=====	=====	=====
	\$100,000	\$312,214	\$114,000

The tax effects of temporary differences and carryforwards which gave rise to significant portions of deferred tax assets and liabilities in the accompanying consolidated balance sheets were as follows:

	January 31,	
	2001	2000
<b>Deferred Tax Assets:</b>		
Reserves and Accruals Not Yet Deducted for Tax Purposes.....	\$1,319,618	\$1,216,529
Unrealized Foreign Currency Losses.....	66,950	28,965
Net Operating Loss Carryforwards.....	94,485	72,845
Other.....	398,448	344,672
Valuation Allowance.....	(94,485)	(72,845)
	-----	-----
	1,785,016	1,590,166
<b>Deferred Tax Liabilities:</b>		
Accumulated Tax Depreciation in Excess of Book Depreciation.....	580,915	563,578
Other.....	46,480	51,310
	-----	-----
	627,395	614,888
	-----	-----
Net Deferred Tax Assets.....	\$1,157,621	\$ 975,278
	=====	=====

At January 31, 2001, the valuation allowance relates to the Company's wholly owned subsidiary, Astro-Med GMBH and Astro-Med SRL, net operating loss carryforward (NOL) of approximately \$244,779 which can be carryforward indefinitely. The future tax benefits of this NOL is uncertain because it is limited to future annual taxable income of the subsidiary.

**Note 7--Leases**

There are both capital and operating lease commitments for the Company's facilities and certain machinery and equipment. Following is an analysis of assets which are under capital leases.

	January 31,	
	2001	2000
Machinery and Equipment.....	\$176,020	\$382,598
Less: Accumulated Amortization.....	88,008	219,322
	-----	-----
	\$ 88,012	\$163,276
	=====	=====

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

Minimum lease payments under noncancellable leases at January 31, 2001 were as follows:

Year Ending January 31, -----	Capital Lease	Operating Leases
2002.....	\$ 50,594	\$293,754
2003.....	25,296	124,933
2004.....	--	47,764
2005.....	--	40,602
2006 and Thereafter.....	--	35,218
	-----	-----
Net Minimum Lease Payments.....	75,890	\$542,271
	-----	-----
Less Amount Representing Interest.....	4,303	
	-----	
Current Value of Net Minimum Lease Payments.....	\$ 71,587	
	=====	

**Note 8--Operations, Geographical Information, and Product Information**

The Company's operations consist of the design, development, manufacture and sale of specialty data recorder and acquisition systems, label printing and applicator systems, neurophysiological instrumentation systems, and consumable printer supplies. The Company organizes and manages its business as a portfolio of products and services designed around a common theme of data acquisition and information output. The Company's operations are aggregated into a single reporting segment based on similarities in the nature of its products and services, the products' economic characteristics, production processes, and methods of distribution. Business is conducted primarily in the United States and through foreign affiliates in Canada and Europe. Substantially all manufacturing activities are conducted in the United States.

Sales and service activities outside the United States are conducted primarily through wholly-owned entities and, to a lesser extent, through authorized distributors and agents. Transfer prices are intended to produce gross profit margins commensurate with the sales and service effort associated with the product sold. Certain information on a geographic basis for fiscal 2001, 2000 and 1999 is set forth below.

	2001	2000	1999
	-----	-----	-----
Geographical Information			
Revenues:			
United States.....	\$48,730,676	\$43,140,724	\$39,278,252
Foreign Branches.....	8,680,464	7,967,070	7,689,047
Transfers among geographical areas.....	(5,723,377)	(4,964,588)	(4,801,114)
	-----	-----	-----
	\$51,687,763	\$46,143,206	\$42,166,185
	=====	=====	=====
Long-lived Assets:			
United States.....	\$ 7,574,237	\$ 7,514,389	\$ 6,787,325
Foreign Branches.....	713,076	713,045	442,350
	-----	-----	-----
	\$ 8,287,313	\$ 8,227,434	\$ 7,229,675
	=====	=====	=====

**ASTRO-MED, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)**

**Export Revenues Included in United States Revenues Above:**

Asia.....	\$ 1,516,000	\$ 1,215,000	\$ 904,000
Other Europe.....	1,408,000	1,284,000	729,000
Central and South America.....	1,337,000	1,294,000	1,010,000
Australia and New Zealand.....	380,000	382,000	437,000
Other.....	553,000	351,000	255,000
	-----	-----	-----
	\$ 5,194,000	\$ 4,526,000	\$ 3,335,000
	=====	=====	=====

Product Information

Revenues:

Test & Measurement.....	\$15,061,000	\$15,786,000	\$16,076,000
QuickLabel Systems (QLS).....	18,850,000	17,035,000	15,394,000
Grass Telefactor.....	17,777,000	13,322,000	10,696,000
	-----	-----	-----
	\$51,688,000	\$46,143,000	\$42,166,000
	=====	=====	=====

No single customer accounted for 10% of net sales in fiscal 2001, 2000, or 1999.

**Note 9--Profit-Sharing Plan**

Along with the Employee Stock Ownership Plan described in Note 5, the Company has a non-contributory Profit-Sharing Plan which provides retirement benefits to all eligible employees. In addition, the Plan allows participants to defer a portion of their cash compensation and contribute such deferral to the Plan through payroll deductions. The Company makes matching contributions up to specified levels. The deferrals are made within the limits prescribed by Section 401(k) of the Internal Revenue Code.

All contributions are deposited into trust funds. It is the policy of the Company to fund any contributions accrued. The Company's annual contribution amounts are determined by the Board of Directors. The Company's contributions paid or accrued amounted to \$230,000 in 2001, 2000 and 1999.

**Note 10--Acquisitions**

Effective December 1, 1999, the Company acquired the assets and business of Telefactor Corporation (Telefactor), a privately held corporation for an aggregate purchase price of approximately \$3.7 million in cash, including transaction fees. The acquisition was accounted for as a purchase under APB Opinion No. 16, Business Combinations. At the time of closing, \$225,000 was established in an escrow account that was designated to be used to settle any post-closing purchase price adjustments. In the first quarter of fiscal 2001, the Company received \$225,000 from the escrow. The purchase and sales agreement contains a clause which will require the Company to pay additional purchase price of up to \$3,000,000 if certain sales levels are achieved. The earnout provision is effective over a period of 72 months. The purchase price allocation was completed during fiscal 2001 and it resulted in a final goodwill amount of \$1,776,000. Goodwill resulting from the Telefactor acquisition is being amortized over 15 years.

**SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

Description	Balance at Beginning of Year	Provision Charged to Operations	Deductions(2)	Other(3)	Balance at End of Year
-----	-----	-----	-----	-----	-----
Allowance for Doubtful Accounts(1):					
Year Ended January 31,					
2001.....	405,783	193,341	131,242	--	467,882
2000.....	212,337	167,234	42,414	68,626	405,783
1999.....	175,788	75,815	39,266	--	212,337

(1) The allowance for doubtful accounts has been netted against accounts receivable as of the respective balance sheet dates.

(2) Uncollectible accounts written off, net of recoveries.

(3) Reserve addition from the acquisition of Telefactor.

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**End of Filing**

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