ASTRO MED INC /NEW/

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

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Industry	Computer Peripherals
Sector	Technology
Fiscal Year	01/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 31, 1999

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

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. [X]

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 [X] No [_]

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of March 16, 1999.
Common Stock, $.05 Par Value: $19,126,862

Indicate the number of shares outstanding (excluding treasury shares) of each of the issuer's classes of common stock as of March 16, 1999.
Common Stock, $.05 Par Value: 4,481,481 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement for the 1999 annual meeting of shareholders are incorporated by reference into Part III.

ASTRO-MED, INC.

FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

PART I

Item 1. Business

General

Astro-Med, Inc., 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 dependence on Test and Measurement products as the dominant revenue source has shifted. The Company's QuickLabel(R) Systems and Grass (R) Instrument products have emerged as prominent growth contributors during the year ended January 31, 1999 (herein referred to as "fiscal 1999").

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 that term is 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 business abilities and judgment of personnel; the impacts of unusual items resulting from ongoing evaluations of business strategies; and changes in business strategy.

Narrative Description of Business

Products

Overview

The Company develops, designs, manufactures and sells three distinct product groups that are tied together by a common thread--the ability to acquire information and present it in a more useable form. 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 Test and Measurement Group of products takes scientific signals and prints them onto charts or electronic media. The Digital Printer Products Group known as QuickLabel(R) Systems (QLS), includes printers and media that create product and packaging labels and tags in one or many colors from a computer file; the product group also includes print and apply systems as well as application products. The Grass Instrument Group takes signals that reflect the physiological status of living creatures--from crayfish to man-- and records them on paper--or hard drive--or on a CD-ROM.

Test and Measurement(T&M) Products

Since its inception in 1971, Astro-Med's Test and Measurement Product Group has been in the business of providing recorders that acquire data. From stylus-based chart recorders to solid state thermal array recorders to today's digital data acquisition systems, Astro-Med has pioneered the technologies used to acquire data. Test and Measurement product lines include the MT-series(TM), multi-channel, multi-function machines that emphasize expandability and flexibility; the expanding Dash-series (TM) of portable recorders that can record from 2-30 channels of data under almost any condition in the field as well as the lab; and the Astro-DAQ(TM) paperless data acquisition system that acquires data directly to a hard drive where it can be transferred via direct connection, network or modem to a personal computer for analysis.

The size of the recorders range from the portable 2-channel Dash II(TM) to the world-standard 32-channel rack mounted MT95K2(TM). The AstroDAQ(TM) can record from 4 to 300 channels depending on the configuration of the individual machine and the number of systems linked together. All recording systems have corresponding software packages that provide for recorder control and data review and manipulation.

QuickLabel(R) Systems Products (QLS)

The Company continued to expand its line of digital color label printers in fiscal year 1999 by adding seven new printing systems; 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. All printers include an exclusive algorithm for creating near photographic quality printing, MicroCell(TM). The QLS 2000/3000 printer series significantly broadens the customer base for color printers. 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 new 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, in any quantity, on-site and on-demand. The QLS 4100 with its volume capacity and automatic ribbon control system can save customers thousands of dollars a year in ribbon costs.

The Company also manufactures monochrome thermal/thermal transfer printers that produce high-quality bar code labels quickly and easily in almost any format. The TOP HAND 2(TM) printer produces labels up to 5 inches wide at speeds of up to 10 inches per second while the RANGE BOSS(TM) 8 1/2 inch wide format printer creates shipping labels and other large formats quickly and reliably.

During fiscal 1999, the Company added to its QLS product lines by acquiring a small manufacturer of print and apply and label applicator systems. The Columbia Labeling Machinery products provide the Company with a full line of automatic label applicating and print and apply systems for multiple printing and labeling requirements.

Rounding out the Company's printer products is a large variety of printer consumables including thermal transfer ribbons, labels and tags. 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(R) Products

The Grass(R) Instrument Product Group serves both research and clinical neurophysiology markets world-wide. The Grass name and product line is renowned in universities, medical centers and pharmaceutical companies. The Company is now building on that brand recognition by combining superior quality and market understanding with the newest technology. This year the Company introduced the new portable Grass Colleague(TM) digital PSG system. This system, designed for the rapidly growing sleep disorders market, complements the lab-based Heritage (R) EEG and PSG digital recording systems and expands the range of solutions offered by the Company for clinical recording requirements.

Other products include PolyVIEW(R) and PolyVIEW(R) PRO/32, both Windows(TM) 95/NT based systems, for data acquisition and analysis of signals in biomedical research, and the Model 15RX, a new, exceptionally compact, modular, computer-controlled biomedical amplifier system.

The Company continues to offer the traditional Grass product line of classical EEG, polysomnograph and polygraph systems as well as biomedical amplifier systems, such as the Model 12 and new Model 15, all featuring world famous Grass amplifier technology.

Rounding out the offerings from Grass is a complete line of stimulators, transducers, electrodes and consumables, products with traditionally strong sales year-to-year which should continue to expand with the installed base of Grass products.

Technology

Historically, the Company has concentrated its research and development efforts toward various methods to acquire, process, store and print data so that the data can be analyzed, manipulated, stored or affixed to a product.

In recent years, the Company has developed and refined its digital printing and data acquisition systems. As its technology has become more advanced and comprehensive, the Company has been able to enter an increasingly wide range of markets.

Patents and Copyrights

The Company holds a number of product patents in the United States and in foreign countries. It has filed application for other patents that are pending. In April 1988, the Company was granted Patent No. 4,739,344 covering 28 claims related to the MT-9500 as well as the newer MT-95000 and MT95K2. The Company has a patent for its dual sided label printing and a patent for its four color label printer. In addition, the Company has two other patents pending on its multi-color printing technology. 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 by suppliers to the Company's specifications. 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 1997, 1998 and 1999 the Company incurred costs of $2,493,072, $2,820,292 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 to increase its research and development efforts in fiscal 2000.

Marketing and Competition

The Company competes worldwide in many markets including clinical and research medicine, aerospace, automotive and general manufacturing. Astro-Med has become a world leader in our markets by virtue of proprietary technology, product reputation, delivery, technical assistance and service to customers.

The Company's products are sold to customers by a direct field sales force in North America and selected European countries. Export sales are distributed primarily through wholly-owned entities formed between fiscal 1988 and 1994 in England, France, Germany, Italy and Canada. Other export sales are made through authorized distributors or agents located in approximately forty countries. No single customer accounted for 10% of the Company's net sales in any of the last three fiscal years.

During the last fiscal year, the Company's products were sold to approximately 4,500 customers.

The Company's product marketing has been greatly expanded by our continued investment in product promotion and sales support via the internet. Each product group has a dedicated site which will continue to be developed and expanded over the next year. We continue to invest heavily in full-color advertising campaigns in many leading trade magazines, exhibitions at trade shows, special mailings, and public relations activities.

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 1997, 1998 and 1999, net sales to customers in various geographic areas outside the U.S.A., primarily in Canada and Western Europe, amounted to $11,840,560, $10,142,287 and $11,024,047, respectively.

Order Backlog

The backlog fluctuates regularly. It consists of a blend of orders for end user customers as well as OEM 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 $165,000 a year for the Company's last four fiscal years.

As of March 16, 1999, the Company employed approximately 362 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
Longueuil, Quebec, Canada.................	3,800	Sales and service
Rodgau, Germany.........	3,014	Manufacturing, sales and service
Trappes, France.........	2,164	Sales and service
Milano, Italy...........	753	Sales and service
Schaumburg, IL..........	1,194	Sales and service
Millersville, MD........	1,035	Sales and service
Irvine, CA..............	980	Sales and service
Fremont, CA.............	810	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
1998			
First Quarter	9 1/4	7 3/4	.04
Second Quarter	9 3/8	8 1/4	.04
Third Quarter	9 1/4	8	.04
Fourth Quarter	8 7/8	7 1/2	.04
1999			
First Quarter	8 1/8	7 1/4	.04
Second Quarter	7 7/8	6 5/8	.04
Third Quarter	7 1/4	5 1/16	.04
Fourth Quarter	6 1/2	5	.04

The Company had approximately 462 shareholders of record on March 16, 1999, 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. A mailing list is maintained to enable shareholders whose stock is held in street name and other interested individuals to receive quarterly reports, annual reports and press releases as quickly as possible.

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)

	1995	1996	1997	1998	1999
Results of Operations:					
Net Sales	$38,233	$43,941	$44,175	$43,748	$41,562
Net Income	1,923	1,328	2,288	1,041	496
Earnings per Common Share--basic	.38	.26	.46	.21	.11
Earnings per Common Share--diluted	.38	.26	.46	.21	.11
Cash Dividends per Common Share	.12	.12	.12	.16	.16
Financial Condition:					
Working Capital	$25,487	$26,420	$28,810	$27,111	$25,507
Total Assets	42,177	42,303	43,321	42,814	41,754
Long-Term Debt, less Current Maturities	244	175	258	228	17

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

Results of Operations

Fiscal 1999 compared to Fiscal 1998

The following table provides percentage comparisons of the components of net income as presented in the consolidated statements of income included elsewhere herein for the last three fiscal years.

	% of Net Sales Years Ended January 31,			% Increase (Decrease)		
	1997	1998	1999	1997 Compared to 1996	1998 Compared to 1997	1999 Compared to 1998
Net Sales............................	100%	100%	100%	1%	(1)%	(5)%
Gross Profit.........................	38	38	40	(1)	(3)	0
Selling, General and Administrative...	28	30	33	(5)	5	7
Research and Development.............	6	6	7	3	13	4

Revenues decreased to $41.6 million in fiscal 1999 from $43.7 million in fiscal 1998 primarily due to decreases in the Test & Measurement Product Group. Domestic sales of the T & M products declined by 25%, while sales through the international channels were down 32%, due to the continued weakness in the Asian market. The sales decrease is due to a continued weak demand prevalent in the aerospace and defense industries. This environment has persisted for four years now and has adversely affected the sales of such T & M recorder products as MT95K2 (TM), Dash 10(TM), Dash IV(TM), as well as related media products. The Company's response to this challenge has been to shift its dependence from these traditional markets to new markets including transportation, energy, telecommunications, metal fabrication and automotive. Also, the Company has expanded its product offerings in the recorder product line by introducing the Dash 8U(TM) and Dash 4U (TM) products.

Sales of the QuickLabel(R) Systems (QLS) products continued to grow during fiscal 1999 increasing 22% over the prior year. Domestically, sales grew 5% whereas internationally sales increased by 74%. The reason for QLS's growth is twofold: First, an expanded product offering that now includes eight digital color printing solutions; and secondly, the continued acceptance of Astro- Med's color printing technology by manufacturers as the standard for color thermal transfer printing. In fiscal 1999 the Company expanded the breadth of the QLS product group by adding the following series of color printers: 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. Sales of QLS color printing systems grew 93% in fiscal 1999 from the prior year sales volume. The Company also added functionality to its product group through the acquisition of Dynell, Inc. including its Columbia Labeling Machinery (CLM) products. These products include label applicators, print and apply systems as well as handling systems and accessories. Sales revenues of these Dynell/CLM products were not material to the fiscal 1999 results.

The Grass(R) Instrument product sales also increased in fiscal 1999. Sales grew by 9%, with the domestic channels increasing by 12% and international sales rising by 2%. The Grass Heritage(R) EEG & PSG products including the new Portable Digital PSG System, Colleague(TM) PSG, are the prime drivers behind this year's sales growth. Sales revenues from the Heritage(R) product line increased 86% in the current fiscal year.

Gross Profit Margins rose to 39.9% from the prior year's 37.7%. The improvement is traceable to improved profit margins in all three product groups.

Selling, general and administrative expenses rose 7% to $13.9 million from $13.0 million. As a percentage of sales revenues, selling, general and administrative rose to 33% from last year's 30%. The change was a combination of incremental spending in selling and marketing strategies as well as reduced sales revenues in fiscal 1999. Incremental spending was confined to new field sales personnel, customer service support and marketing programs.

Research & Development expenses rose 4% to $2.9 million from $2.8 million in the prior year. Research & Development as a percentage of sales also increased to 7% from 6% in the prior year. The Company is committed to R & D investments as a prime source of innovation and improvement in both technology and products.

Interest and dividend income declined 4% to $786,000 in fiscal 1999 from $823,000 in fiscal 1998. The decrease is due to lower interest rates and lower average investment balances stemming from the cash funding of the Company's stock buyback program and the acquisition of Dynell, Inc. Interest expense declined 20% to $22,000 from last year's $28,000. The decrease is due to a declining balance in the Company's capital lease obligations. Other income net of $113,000 in fiscal year 1999 improved sharply from fiscal year 1998's Other Expense net of $35,000. Favorable fluctuations in foreign currency exchange rates is the primary reason for this improvement.

Income before taxes as a percentage of sales was 1.5% for fiscal 1999 as compared to 3.2% in the prior year. The effective tax rate was 19% for fiscal 1999 against 26% for fiscal 1998. Changes in the effective income tax rates from year to year are explained in Note 6 of Notes to Consolidated Financial Statements.

Net Income declined to $496,000 in fiscal 1999 from $1,041,000 in fiscal 1998. As a percentage of sales revenues, Net Income in fiscal 1999 was 1.2% compared with 2.4% in fiscal 1998.

Financial Condition

Consolidated working capital was $25.5 million at January 31, 1999 as compared with $27.1 million on January 31, 1998. The composition of the consolidated working capital at January 31,1999 includes cash, cash equivalents and securities available for sale at $12.9 million as compared with $13.1 million as of January 31, 1998. The Company's average working capital excluding cash, cash equivalents and securities available for sale, as a percentage of sales was 32% in fiscal 1999 as compared to 33% in fiscal 1998. The decrease in fiscal 1999 was primarily due to improved payables management. The number of days sales outstanding in accounts receivable was 58 days at fiscal year end 1999 against 62 days at fiscal year end 1998. Average inventory turnover was 2.0 turns in fiscal 1999 as compared to 2.8 turns in fiscal 1998. Shareholders' Equity was $33.7 million at January 31, 1999, compared with $35.8 million at January 31, 1998. The Company purchased 323,400 shares of the Company's common stock at a cost of $2.0 million during fiscal 1999. As part of the Stock Repurchase Plan, the Company, since fiscal 1996, has repurchased 589,224 shares of Astro-Med common stock. Under the Board of Directors' authorization, the Company has approval to repurchase another 200,000 shares of the Company's common stock.

Liquidity and Capital Resources

Net cash flow from operating activities was $3.2 million in fiscal 1999, $2.8 million in fiscal 1998 and $4.8 million in fiscal 1997. The increase in net cash flow from operating activities in fiscal 1999 was primarily due to changes in the Company's working capital requirements. The decrease in net cash flow in fiscal 1998 as compared with fiscal 1997 was due to a decrease in the Company's profitability and changes in the working capital requirements.

Net cash used by investing activities was $1.0 million in fiscal 1999, as compared to $1.5 million in fiscal 1998. Capital Expenditures of $600,000 in fiscal 1999 and $810,000 in fiscal 1998 represent the primary demand for cash in this category. During fiscal 1997, the Company's investing activities provided net cash of $1.2 million due to the liquidation of certain investment positions from the Company's securities portfolio.

Net cash used by financing activities was $2.9 million in fiscal 1999, $2.2 million in fiscal 1998 and $1.5 million in fiscal 1997. The prime components are dividends paid and purchases of common stock. Dividends paid in fiscal 1999 were $744,000 , $727,000 in fiscal 1998 and $596,000 in fiscal 1997. The annual dividend per share was $.16 in fiscal 1999, $.16 in fiscal 1998 and $.12 in fiscal 1997. The Company purchases of common stock were $2.0 million in fiscal 1999, $1.3 million in fiscal 1998 and $0.9 million in fiscal 1997.

Although additional cash may be required for acquisitions, the Company expects to finance any such acquisitions through internal funds. The Company expects to have positive cash flow from its existing operations, and believes its existing cash resources are sufficient to meet the capital requirements of its existing operation for the foreseeable future.

Fiscal 1998 Compared to Fiscal 1997

Sales decreased 1% to $43.7 million in fiscal 1998 compared to $44.2 million in fiscal 1997. Excluding changes in foreign currency exchange rates, sales in fiscal year 1998 were slightly higher than fiscal 1997. Looking at the Company's sales by channel presents a varied profile. Domestically, sales rose 4% as our new QuickLabel(R) Systems and Grass(R) Instruments product groups expanded their respective product lines. Conversely, export sales were disappointing, declining 14% from the previous year as the strong US dollar and Asia's financial crisis had a negative impact on export volume.

The Company's Test and Measurement (T&M) Product Group declined 10% as soft demand in the aerospace and defense industries adversely affected sales of the recorder products, Dash 10(TM), Dash IV(TM) and MT 95K(TM). On the domestic front, T & M product sales declined 6% while export sales were lower than the previous year by 23%. Progress was made in sales of the new recorder and data acquisition products, Dash 8(TM) and AstroDAQ 1 & 2(TM). Combined, these products contributed nearly $2 million in sales during their first full year of introduction.

The QuickLabel(R) Systems (QLS) Product Group reported an 18% increase in sales during fiscal year 1998. This group includes the Company's Color QuickLabel Printer, CQL-4(TM), monochrome bar code printers, TOP HAND(TM) and RANGE BOSS(TM), as well as related consumable products. In the domestic markets, sales increased 19% while growth in the export markets was somewhat lower at 12%.

Grass(R) Instruments sales increased 2% in fiscal year 1998. Sales through our domestic channels rose 10% as demand for the Company's new Digital EEG and PSG systems, Albert Grass Heritage(R), exceeded $1.4 million. Sales in the export markets tempered that result, with a decrease of 16%.

Gross Profit Margins were 37.7% in fiscal 1998 as compared to 38.3% in fiscal 1997. This result was more an outgrowth of product mix and lower unit volume than any pricing or product cost influences.

Selling, general and administrative expenses rose 5% during fiscal 1998 to $13.0 million from $12.5 million in fiscal 1997. The increment was traceable to the additions in sales personnel and increased spending in promotional activities of marketing, advertising and trade shows. The Company believes its strategy for growth is dependent on an aggressive investment in selling and marketing programs. Historically, the Company has funded its commitment to selling and marketing at greater than 20% of Astro-Med's annual sales volume.

R & D expenditures rose 13% during fiscal 1998 to 6% of annual sales. The increase was attributable to new hires, including electrical, software and mechanical engineers, as well as project expenses related to new and existing product lines.

Interest and dividend income rose 37% during fiscal 1998. The improvement was due to the increased cash position provided by operations as well as investing strategies. Interest expense rose 3% from the prior year as the Company incurred capital lease obligations related to the acquisition of computer hardware and software. Other income (expense) net, was significantly lower than the prior year due to the one time gain realized in the prior year from the sale of securities in the Company's investment portfolio. The Company was nominally affected by fluctuations in foreign currency exchange rates as the US dollar strengthened against most European currencies.

Income before taxes, as a percent of sales was 3.2% for fiscal 1998 as compared with 6.6% for fiscal 1997. The effective tax rate was 26% for fiscal 1998 against 22% for fiscal 1997. Changes in effective income tax rates from year to year are explained in Note 6 of Notes to Consolidated Financial Statements.

Net Income declined to $1.0 million in fiscal 1998 from $2.3 million in the prior year. Net Income as a percent of sales was 2.4% in fiscal 1998 and 5.2% for fiscal 1997, respectively.

Market Risk

The Company is exposed to the impact of foreign currency exchange rate changes. The Company manages its exposure to exchange rate fluctuations through its operating and financing activities in order to reduce the impact on earnings and cash flows. It is anticipated that the likely transition to the Euro as the eventual functional currency of European affiliates may facilitate the Company's exchange rate exposure management in the future. The Company does not hold or purchase any foreign currency contracts for trading purposes. The functional currencies of the Company's foreign affiliates are their respective local operating currencies, which are subsequently translated for consolidated reporting purposes into U.S. dollars. Such translation adjustments are reported as a separate component of Shareholders' Equity.

Euro Conversion

On January 1, 1999, a single currency called the euro was introduced in Europe. Eleven member countries of the European Union adopted the euro as their common legal currency on that date. Fixed conversion rates between those countries' existing currencies and the euro were established on that date. The existing currencies are scheduled to remain legal tender from January 1, 1999 to July 1, 2002. During this transition period, transactions can be settled with either the euro or a member country's existing (legacy) currency. Those Company branches operating in the participating countries will adopt the euro as their functional currency within the compliance date. We do not expect the euro conversion to have a material adverse impact in the Company's business or financial condition.

Year 2000

The Year 2000 issue is the result of computer programs and embedded computer chips being unable to distinguish between the year 1900 and the year 2000, and therefore being unable to correctly recognize and process date information beyond the year 1999. During 1998, the Company commenced a Year 2000 readiness program to assess the impact of the Year 2000 issue on the Company's operations and address necessary remediation.

Products

All of the Company's products, where applicable, are Year 2000 Compliant:
Grass Instruments Product Group--Products manufactured before 1997 did not store time or date. Therefore, Year 2000 compliance is not applicable. New products that do store time and date use only Windows(TM) 95 dates which are compliant. QuickLabel Systems Product Group--Printer products do not generate or store time and date, therefore Year 2000 compliance is not applicable. Application software that stores time and date uses only Windows(TM) 95 dates which are compliant. Label Applicator products and certain Print and Apply models do not store time or date, therefore compliance is not an issue. Those Print and Apply and Thermal Recorder products which do store time and date are compliant. Test and Measurement Product Group--Data Acquisition Systems and application software for all instruments use only Windows(TM) 95 dates which are compliant. Stand-alone Recorders use a two-digit year for reference only. The date is not used for time sorting or any calculations. Our Quality Assurance Department has verified that there are no anomalies associated with the turnover of the Year 2000.

Year 2000 Readiness Program

The Company's Year 2000 readiness program is divided into three major sections--Information Technology (IT) infrastructure (which includes manufacturing, finance, purchasing and sales), Applications Software and Non- IT systems (including environmental, process control, and manufacturing control systems), and Third-party suppliers and customers. All non-compliant systems have been identified and prioritized. Assessment and remediation are proceeding in tandem, and the Company currently plans to have all non-compliant systems repaired or replaced and tested by mid-1999.

The Information Technology infrastructure section of the Year 2000 readiness program includes the Company's IBM AS400 Computer hardware system as well as its J. D. Edwards financial, manufacturing and distribution business software system. The AS400 system was made fully compliant in January 1998. In November 1998, the Company completed the installation of an upgrade to its J. D. Edwards software suite, which is now fully compliant. This section of the project is 100% complete.

The Applications Software and Non-IT section includes the conversion or replacement of applications software and equipment that is not Year 2000 compliant. The Company utilizes both in-house and third-party software and equipment to operate certain aspects of its business, including telecommunications and sales contact management systems. The Company estimates that this section of the Year 2000 readiness program is approximately 59% complete at January 31, 1999, and the remaining conversion and testing projects are on schedule to be completed by mid-1999. Contingency planning for this section has begun and is scheduled to be complete by mid-1999.

The Third-party suppliers and customers section includes the process of identifying and prioritizing critical suppliers and customers, and communicating with them directly about their plans and progress in addressing the Year 2000 problem. The Company is currently in the process of communicating with its significant vendors, service providers and customers. Detailed evaluations of the most critical third parties will be completed by mid-1999. These evaluations will be followed by the completion of contingency plans, with follow-up reviews scheduled through the remainder of 1999.

The total cost associated with required modifications to become Year 2000 compliant is not expected to be material to the Company's financial position. The estimated total cost related to the Year 2000 readiness program is approximately $745,000, which includes hardware and software that were previously planned to obtain greater capacity and functionality. The total amount expended through January 31, 1999 was $626,000, of which approximately $553,000 related to Information Technology Infrastructure, approximately $69,000 related to Applications Software and Non-IT projects, and approximately $4,000 related to the Third-party project. The future cost of completing the Year 2000 readiness program is estimated at approximately $119,000, including $116,000 to complete the Applications Software and Non-IT phase, and $3,000 to complete the Third-party compliance evaluation. The Company has funded the incurred costs to-date and intends to fund the estimated costs to complete the Year 2000 readiness program through operating cash flows.

Although the Company is taking measures to address the impact, if any, of Year 2000 issues, it cannot predict the outcome or success of its Year 2000 readiness program, or whether the failure of third party systems or equipment to operate properly in the Year 2000 will have a material adverse effect on the Company's business, operating results, or financial condition, or require the Company to incur unanticipated material expenses to remedy any Year 2000 issue. The Year 2000 readiness program is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its material external suppliers and customers. The Company believes that, with the implementation of upgraded business systems and completion of the Year 2000 readiness program as scheduled, the possibility of significant interruptions of normal operations should be reduced.

The foregoing discussion regarding the Company's Year 2000 readiness program's implementation, effectiveness, and cost contains forward-looking statements which are based on management's expectations, determined utilizing certain assumptions of future events including third party compliance and other factors. However, there can be no guarantee that these expectations will be realized, and actual results could differ materially from management's expectations. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area and other similar uncertainties, and the remediation success of the Company's suppliers, service providers and customers.

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			
	May 3, 1997	August 2, 1997	November 1, 1997	January 31, 1998
Net Sales	$11,707	$10,677	$11,344	$10,020
Gross Profit	4,504	4,001	4,487	3,520
Net Income (Loss)	578	138	498	(173)
Earnings (Loss) Per Common Share--basic	.12	.03	.10	(.04)
Earnings (Loss) Per Common Share--diluted	.12	.03	.10	(.04)
	May 2, 1998	August 1, 1998	October 31, 1998	January 31, 1999
Net Sales	$10,056	$10,528	$10,516	$10,462
Gross Profit	3,876	4,269	4,294	4,140
Net Income (Loss)	(104)	189	229	182
Earnings (Loss) Per Common Share--basic	(.02)	.04	.05	.04
Earnings (Loss) Per Common Share--diluted	(.02)	.04	.05	.04

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 1999 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......	73	Chairman, Chief Executive Officer and Director
Everett V. Pizzuti...	62	President, Chief Operating Officer and Director
David M. Gaskill	53	Vice President--Research and Development
Joseph P. O'Connell..	55	Vice President and Treasurer, Chief Financial Officer
Elias G. Deeb........	57	Vice President--Media Manufacturing
A. Eric Bartholomay..	50	Vice President--International Sales
Gary A. Dalton.......	41	Controller
Stephen M. Petrarca..	36	Vice President--Instrument Manufacturing
Stephen E. Johnson ..	35	Vice President--Grass Research & Development

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

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. Gaskill previously had functioned as Vice President--Engineering of the Company since 1974. He is a nephew of Mr. Ondis.

Mr. O'Connell joined the Company in 1996. He previously held senior financial management positions with Cherry Tree Products Inc. (1994-1995), IBI Corporation (1991-1994) and Dennison Manufacturing Company (1975-1990). Mr. O'Connell is also Assistant Secretary of the Company.

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. Bartholomay has held the position identified since 1991. From 1988 to 1991, he was Manager of International Operations. He previously held various sales and sales-related positions with Rhone-Poulenc Inc. beginning in the United States in 1981. He transferred to France in 1985 and last held the position of Manager of Product and Market Development.

Mr. Dalton joined the Company in 1997. He previously held financial management positions with CVS Corporation (1996-1997), GTECH Corporation (1988-1996), Teradyne Inc. (1983-1987), and Data General Corporation (1981- 1983).

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. Johnson was appointed Vice President of Grass Research and Development in March 1999. Mr. Johnson joined the Grass Instrument Company in 1994. After Astro-Med's acquisition of the Grass Instrument Company, he has served as Manager of R & D and Assistant General Manager for Grass Operations. Previously Mr. Johnson has held engineering and engineering management positions with General Scanning, Inc. (l989-1993), Grass Instruments (1987- 1989), and Hewlett-Packard (1986-1987).

Item 11. Executive Compensation

The response to this item is incorporated by reference to the Company's definitive proxy statement for the 1999 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 1999 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 1999 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:

(a)(2) Financial Statement Schedules:

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. (1)
(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. (1)
(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. (1)
(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. (1)
(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 and 333-93565, and incorporated by reference herein. (1)
(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. (1)
(21)	List of Subsidiaries of the Company. See page 25.
(23)	Consent of Independent Public Accountants. See page 25.

(1) Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the last quarter of the period covered by this report.

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.

ASTRO-MED, INC.
(Registrant)

By: /s/ Albert W. Ondis
(Albert W. Ondis, Chairman)

Date: April 12, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Albert W. Ondis Albert W. Ondis	Chairman and Director (Principal Executive Officer)	April 12, 1999
/s/ Everett V. Pizzuti Everett V. Pizzuti	President and Director (Principal Operating Officer)	April 12, 1999
/s/ Jospeh P. O'Connell Joseph P. O'Connell	Vice President and Treasurer (Principal financial	April 12, 1999
/s/ Gary A. Dalton Gary A. Dalton	Controller (Principal Accounting Officer)	April 12, 1999
/s/ Jacques V. Hopkins Jacques V. Hopkins	Director	April 12, 1999

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 included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8: File No. 2-81081 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 and 333-93565 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, 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.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
April 12, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Astro-Med, Inc:

We have audited the accompanying consolidated balance sheets of Astro-Med, Inc. and subsidiaries as of January 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income and shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audits 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, 1999 and 1998, and the results of its operations and their cash flows for each of the three years in the period ended January 31, 1999 in conformity with generally accepted accounting principles.

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 12, 1999

ASTRO-MED, INC.

CONSOLIDATED BALANCE SHEETS

As of January 31, 1998 and 1999

ASSETS	1998	1999
CURRENT ASSETS		
Cash and Cash Equivalents	$ 5,659,552	$ 4,946,289
Securities Available for Sale	7,472,693	7,907,142
Accounts Receivable, Less Reserves of $175,788 in 1998 and $212,337 in 1999	7,828,064	7,708,806
Inventories	10,341,856	10,217,020
Prepaid Expenses and Other Current Assets	1,561,313	1,986,336
Total Current Assets	32,863,478	32,765,593
PROPERTY, PLANT AND EQUIPMENT		
Land and Improvements	398,191	398,191
Buildings and Improvements	6,978,394	7,009,089
Machinery and Equipment	10,680,108	11,270,775
	18,056,693	18,678,055
Less Accumulated Depreciation	(10,155,952)	(11,448,380)
	7,900,741	7,229,675
OTHER ASSETS		
Excess of Cost over Net Assets Acquired, Net	940,084	903,784
Amounts Due from Officers	453,264	480,314
Other	656,147	374,866
	2,049,495	1,758,964
	$42,813,714	$41,754,232

LIABILITIES AND SHAREHOLDERS' EQUITY	1998	1999
CURRENT LIABILITIES		
Accounts Payable	$ 2,267,722	$ 3,427,766
Accrued Compensation	1,221,662	1,446,770
Accrued Expenses	1,470,849	1,110,484
Income Taxes	614,631	1,062,892
Current Maturities of Long-Term Debt	177,774	211,021
Total Current Liabilities	5,752,638	7,258,933
LONG-TERM DEBT, Less Current Maturities	227,998	16,977
EXCESS OF NET ASSETS ACQUIRED OVER COST, NET	326,519	108,839
DEFERRED INCOME TAXES	747,560	667,676
SHAREHOLDERS' EQUITY		
Preferred Stock, $10 Par Value, Authorized 100,000 Shares, Issued None		
Common Stock, $.05 Par Value, Authorized 13,000,000 Shares, Issued 5,140,448 in 1998 and 5,143,520 in 1999	257,023	257,176
Additional Paid-in Capital	5,649,101	5,641,317
Retained Earnings	33,085,917	32,837,880
Treasury Stock, at Cost, 355,895 Shares in 1998 and 662,295 in 1999	(3,062,945)	(4,889,343)
Accumulated Other Comprehensive Items	(170,097)	(145,223)
	35,758,999	33,701,807
	$42,813,714	$41,754,232

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

ASTRO-MED, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended January 31, 1997, 1998 and 1999

	1997	1998	1999
Net Sales	$44,175,133	$43,747,540	$41,561,500
Cost of Sales	27,241,473	27,236,046	24,982,234
Gross Profit	16,933,660	16,511,494	16,579,266
Costs and Expenses:			
Selling, General and Administrative	12,451,030	13,043,315	13,907,389
Research and Development	2,493,072	2,820,292	2,938,820
	14,944,102	15,863,607	16,846,209
Operating Income (Loss)	1,989,558	647,887	(266,943)
Other Income (Expense):			
Interest and Dividend Income	597,995	822,775	786,084
Interest Expense	(27,278)	(27,872)	(22,197)
Other, Net	375,750	(35,454)	112,721
	946,467	759,449	876,608
Income before Income Taxes	2,936,025	1,407,336	609,665
Provision for Income Taxes	648,000	366,000	114,000
Net Income	$ 2,288,025	$ 1,041,336	$ 495,665
Net Income Per Common Share--basic	$ .46	$ .21	$ .11
Net Income Per Common Share--diluted	$ .46	$ .21	$ .11
Weighted Average Number of Common Shares Outstanding--basic	4,968,731	4,852,787	4,651,711
Weighted Average Number of Common Shares Outstanding--diluted	5,018,143	4,900,460	4,679,398
Dividends Declared Per Common Share	$ .12	$ .16	$ .16

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

ASTRO-MED, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND SHAREHOLDERS' EQUITY

Years Ended January 31, 1997, 1998 and 1999

	1997	1998	1999
Comprehensive Income			
Net Income	$ 2,288,025	$ 1,041,336	$ 495,665
Other Comprehensive Items, Net:			
Foreign currency translation adjustments	(38,281)	(115,180)	18,681
Unrealized gain (loss) on securities available for sale	(44,597)	34,375	6,193
Other Comprehensive Items, Net	(82,878)	(80,805)	24,874
Comprehensive Income	$ 2,205,147	$ 960,531	$ 520,539
Shareholders' Equity			
Common Stock, $.05 Par Value:			
Balance at beginning of year	$ 256,166	$ 256,837	$ 257,023
Net proceeds from issuance of Company common stock (Note 5)	671	186	153
Balance at end of year	256,837	257,023	257,176
Additional Paid-In Capital:			
Balance at beginning of year	5,554,100	5,624,239	5,649,101
Net proceeds from issuance of Company common stock (Note 5)	75,990	28,203	18,498
Net cost of shares issued to Employee Stock Ownership Plan (Note 5)	(5,851)	(3,341)	(26,282)
Balance at end of year	5,624,239	5,649,101	5,641,317
Retained Earnings:			
Balance at beginning of year	31,079,623	32,772,044	33,085,917
Net Income	2,288,025	1,041,336	495,665
Dividends declared	(595,604)	(727,463)	(743,702)
Balance at end of year	32,772,044	33,085,917	32,837,880
Treasury Stock:			
Balance at beginning of year	(902,169)	(1,804,986)	(3,062,945)
Purchases of Company common stock	(972,628)	(1,301,300)	(1,954,680)
Net cost of shares issued to Employee Stock Ownership Plan (Note 5)	69,811	43,341	128,282
Balance at end of year	(1,804,986)	(3,062,945)	(4,889,343)
Accumulated Other Comprehensive Items:			
Balance at beginning of year	(6,414)	(89,292)	(170,097)
Other comprehensive items, net	(82,878)	(80,805)	24,874
Balance at end of year	(89,292)	(170,097)	(145,223)
	$36,758,842	$35,758,999	$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, 1997, 1998 and 1999

	1997	1998	1999
Cash Flows from Operating Activities:			
Net Income	$ 2,288,025	$ 1,041,336	$ 495,665
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	921,088	988,423	1,111,048
Gain on Sale of Assets	(495,761)	--	--
Deferred Income Taxes	(39,859)	(301,713)	(436,425)
Other	(56,358)	242,558	(1,721)
Changes in Assets and Liabilities:			
Accounts Receivable	6,269	483,672	119,258
Inventories	2,172,048	19,649	124,836
Other	(399,118)	(465,906)	185,749
Accounts Payable and Accrued Expenses	44,823	952,118	1,126,787
Income Taxes	386,995	(204,904)	448,261
Total Adjustments	2,540,127	1,713,897	2,677,793
Net Cash Provided by Operating Activities	4,828,152	2,755,233	3,173,458
Cash Flows from Investing Activities:			
Proceeds from Sales of Securities Available for Sale	2,470,402	2,450,508	10,153,724
Purchases of Securities Available for Sale	(2,527,562)	(3,147,206)	(10,582,545)
Proceeds from Sales of Assets	599,500	--	--
Proceeds from Sales of Investment	1,514,779	--	--
Additions to Property, Plant and Equipment	(816,229)	(809,724)	(600,395)
Net Cash Provided (Used) by Investing Activities	1,240,890	(1,506,422)	(1,029,216)
Cash Flows from Financing Activities:			
Payments of Debt	(50,000)	(50,000)	(50,000)
Principal Payments on Capital Leases	--	(100,069)	(127,774)
Proceeds from Common Shares Issued Under Employee Benefit Plans	76,661	28,389	18,651
Purchases of Treasury Stock	(972,628)	(1,301,300)	(1,954,680)
Dividends Paid	(595,604)	(727,463)	(743,702)
Net Cash Used by Financing Activities	(1,541,571)	(2,150,443)	(2,857,505)
Net Increase (Decrease) in Cash and Cash Equivalents	4,527,471	(901,632)	(713,263)
Cash and Cash Equivalents, Beginning of Year	2,033,713	6,561,184	5,659,552
Cash and Cash Equivalents, End of Year	$ 6,561,184	$ 5,659,552	$ 4,946,289
Supplemental Disclosures of Cash Flow Information:			
Cash Paid During the Year for:			
Interest	$ 33,108	$ 27,872	$ 24,072
Income Taxes	$ 437,855	$ 758,070	$ 257,889

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 1999

Note 1--Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation.

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 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).

Amortization of Intangibles: Excess of cost over net assets acquired is amortized on the straight-line method over forty years. Accumulated amortization amounted to $456,734 and $493,034 as of January 31, 1998 and 1999, respectively. Excess of net assets acquired over cost is amortized on the straight-line method over five years. Accumulated amortization amounted to $711,228 and $928,908 as of January 31, 1998 and 1999, respectively. The shorter amortization period for the excess of net assets acquired over cost reflects the more limited life of the assets involved.

Comprehensive Income: Effective February 1, 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." This pronouncement sets forth requirements for disclosure of the Company's comprehensive income and accumulated other comprehensive items. In general, comprehensive income combines net income and "other comprehensive items," which represents certain amounts that are reported as components of shareholders' equity in the accompanying balance sheets, including foreign currency translation adjustments and unrealized gains (losses) on securities available for sale, net of income tax.

Foreign Currency: The financial statements of subsidiaries outside the United States 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, and income and expenses are translated at average exchange rates during the year.

Income Taxes: The Company utilizes a liability approach which 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, Earnings per Share, which was adopted in fiscal 1998. 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. Adoption of SFAS No. 128 had no impact on previously reported Earnings per Share for Fiscal Year 1997. Options to purchase 653,500 shares of common stock between $8.125 and $13.00 per share were outstanding during fiscal year 1999 but were not included in the computation of diluted EPS because the options' exercise

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) price was greater than the average market price of the common shares. The options, which expire between 4/13/99 through 3/25/08 were still outstanding on January 31, 1999.

	1997	1998	1999
Weighted Average Common Shares Outstanding--basic	4,968,731	4,852,787	4,651,711
Dilutive Effect of Options Outstanding	49,412	47,673	27,687
Weighted Average Common Shares Outstanding--diluted	5,018,143	4,900,460	4,679,398

Use of Estimates in the Preparation of Financial Statements: The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting periods. 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, 1999 approximate fair value.

Note 2--Securities Available for Sale

As of January 31, 1999, securities included corporate and governmental debt obligations of $1,013,847 with contractual or anticipated maturities of one year or less and $6,893,295 with contractual or anticipated maturities of more than one year through twenty-five years. As of January 31, 1998, securities included corporate and governmental debt obligations of $2,565,295 with contractual or anticipated maturities of one year or less and $4,907,398 with contractual or anticipated maturities of more than one year through twenty- five years. Actual maturities may differ as a result of sales or early issuer redemptions.

The amortized cost of securities available for sale as of January 31, 1999 was $7,869,502. The difference between market value and the cost basis as of that date was $37,640 ($27,925 net of tax), which represented unrealized gains. As of January 31, 1998, the amortized cost of securities available for sale was $7,436,318. The difference between market value and the cost basis as of that date was $36,375 ($21,732 net of tax), which represented gross unrealized gains. 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 for fiscal 1999 and 1998.

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,	
	1998	1999
Materials and Supplies	$ 5,620,041	$ 5,356,973
Work-in-Progress	993,149	721,448
Finished Goods	3,728,666	4,138,599
	$10,341,856	$10,217,020

Note 4--Long-Term Debt

Long-term debt consisted of the following:

	January 31, 1998	January 31, 1999
Capital Lease Obligations	$405,772	$227,998
Less Current Maturities	177,774	211,021
	$227,998	$ 16,977

Other real estate and certain equipment are financed under a capital lease obligation with the Rhode Island Port Authority and Economic Development Corporation pursuant to an industrial development revenue bond financing arrangement. Monthly principal installments of $8,333 plus interest at 7 1/2% are due through the bond's maturity date of August, 1999. The obligation contains an option to purchase the particular real estate and machinery and equipment at any time for the amount necessary to retire the bonds involved. It also contains certain restrictive covenants including, among other things, minimum working capital and net worth requirements, and a maximum debt-to- equity ratio.

During fiscal year 1998, the Company entered into a three year, $200,000 capital lease obligation for the purpose of upgrading its information technology software. Expenditures for property and equipment during the past three fiscal years have been made from on hand and internally generated funds.

The aggregate amounts of long-term debt as of January 31, 1999 scheduled to mature in each of the succeeding two fiscal years are as follows: $211,021 in fiscal 2000 and $16,977 in fiscal 2001.

Note 5--Common Stock

The Company's Board of Directors has authorized the purchase of up to 621,724 shares of the Company's common stock on the open market. As of January 31, 1999, the Company has remaining authorization to purchase an additional 200,000 shares. As purchased, such shares will become treasury stock available for general corporate purposes. The Company purchased 151,500 and 323,400 shares of treasury stock in fiscal 1998 and 1999, respectively.

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

Stock Option Plans: As of January 31, 1999, the Company has three incentive stock option plans and two non-qualified stock option plans under which options may be granted to officers and key employees. Options for an aggregate of 1,050,000 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 550,000 shares may be granted under the non-qualified plans 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, 1996...	375,725	$3.33-$14.30	$9.17
Options Granted........................	152,000	8.31- 9.25	8.40
Options Exercised......................	(9,000)	3.33- 5.50	5.00
Options Expired........................	(37,125)	5.50- 13.00	10.47
Outstanding Options, January 31, 1997...	481,600	3.33- 14.30	8.90
Options Granted........................	162,500	8.31- 8.94	8.45
Options Expired........................	(23,250)	3.33- 13.00	8.89
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
Outstanding Options, January 31, 1999...	781,100	3.33- 13.00	8.51
Options Exercisable, January 31, 1998...	556,300	3.33- 14.30	8.59
Options Exercisable, January 31, 1999...	717,900	3.33- 13.00	8.43

Set forth below is a summary of options outstanding at January 31, 1999:

[Outstanding]				[Exercisable]	
Range of Exercise prices	Options	Weighted Average Exercise Price	Remaining Contractual Life	Options	Weighted Average Exercise Price
$ 3.33- $ 5.50	104,100	$ 5.09	1 yr.	104,100	$ 5.09
$ 5.88- $ 9.25	484,000	$ 8.20	8 yrs.	460,500	$ 8.28
$10.25- $13.00	193,000	$11.15	4 yrs.	153,300	$11.14

At January 31, 1999, options covering 413,000 shares under the incentive plans, and 399,000 shares under the non-qualified plan and 18,000 shares under the Non-Employee Director Stock Option Plan were available for future grant.

Accounting for Stock-Based Compensation: In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which sets forth a fair-value based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the Company has elected to continue to apply APB No. 25 to account for its stock-based compensation plans. 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 earnings per share would have been reduced to the pro forma amounts indicated below:

	January 31		
	1997	1998	1999
Net income (Loss)			
As reported..............................	$2,288,025	$1,041,336	$495,665
Pro forma................................	$1,821,039	$ 546,039	$(42,914)
Earnings per share			
As reported..............................	$ .46	$ .21	$ .11
Pro forma, basic.........................	$ .37	$ .11	$ (.01)
Pro forma, diluted.......................	$ .36	$ .11	$ (.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 1997, 1998 and 1999 was $3.24, $3.40 and $2.43, respectively.

	1997	1998	1999
Risk-free interest rate	6.5%	5.5%	4.8%
Expected life (years)	5	5	5
Expected volatility	37.481%	34.879%	35.367%
Expected dividend yield	1.4%	1.9%	2.4%

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,		
	1997	1998	1999
Shares Reserved, Beginning	109,645	105,218	101,507
Shares Purchased	(4,427)	(3,711)	(3,081)
Shares Reserved, Ending	105,218	101,507	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 $100,000 for fiscal 1997, $123,000 for fiscal 1998 and $130,000 for fiscal 1999.

Note 6--Income Taxes

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

	Years Ended January 31,		
	1997	1998	1999
Current:			
Federal	$564,953	$511,324	$206,747
State	173,284	88,092	8,687
Foreign	--	24,000	28,000
	738,237	623,416	243,434
Deferred:			
Federal	(68,474)	(210,093)	(106,518)
State	(21,763)	(47,323)	(22,916)
	(90,237)	(257,416)	(129,434)
	$648,000	$366,000	$114,000

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,		
	1997	1998	1999
Income Tax Provision at Statutory Rate	$998,249	$478,494	$207,269
State Taxes, Net of Federal Income Tax Benefits	114,367	26,862	(9,391)
Nontaxable Interest Income	(38,420)	(39,100)	(34,083)
Amortization of Intangibles	(57,683)	(57,683)	(61,669)
Utilization of Net Operating Loss Carryforward	(117,300)	(117,580)	(117,580)
Other, Net	(251,213)	75,007	129,454
	$648,000	$366,000	$114,000

Other, Net in fiscal 1997 includes the reversal of tax reserves no longer required.

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,	
	1998	1999
Deferred Tax Assets:		
Reserves and Accruals Not Yet Deducted for Tax Purposes	$ 949,282	$ 981,154
Unrealized Foreign Currency Losses	133,345	111,130
Net Operating Loss Carryforwards	389,981	141,578
Other	64,363	349,902
Valuation Allowance	(389,981)	(141,578)
	1,146,990	1,442,186
Deferred Tax Liabilities:		
Accumulated Tax Depreciation in Excess of Book Depreciation	747,560	667,676
Other	73,529	12,183
	821,089	679,859
Net Deferred Tax Assets	$ 325,901	$ 762,327

The total of deferred tax assets, net of other deferred tax liabilities, is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. The valuation allowance relates to net operating loss carryforwards (approximately $70,000 domestic and $302,000 foreign) expiring through 2007, the future tax benefits of which to be realized are uncertain because they are limited to future annual taxable income of certain subsidiaries.

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, 1998	January 31, 1999
Real Estate	$4,477,966	$4,477,966
Machinery and Equipment	481,484	481,484
	4,959,450	4,959,450
Less: Accumulated Amortization	1,802,149	2,073,867
	$3,157,301	$2,885,583

Minimum lease payments under noncancellable leases at January 31, 1999, were as follows:

Year Ending January 31,	Capital Lease	Operating Leases
2000	$221,326	$245,768
2001	17,064	143,924
2002	--	111,298
2003	--	69,299
2004	--	30,428
2005 and Thereafter	--	28,598
Net Minimum Lease Payments	238,390	$629,315
Less Amount Representing Interest	10,392	
Current Value of Net Minimum Lease Payments	$227,998	

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 1997, 1998, and 1999 is set forth below.

	Fiscal 1997	Fiscal 1998	Fiscal 1999
Geographical Information			
Revenues:			
United States	$41,181,263	$41,332,031	$38,673,567
Foreign Branches	7,397,560	6,630,287	7,689,047
Transfers among geographical areas	(4,403,690)	(4,214,778)	(4,801,114)
	$44,175,133	$43,747,540	$41,561,500
Long-lived Assets:			
United States	$ 7,533,080	$ 7,415,100	$ 6,787,325
Foreign Branches	527,740	485,641	442,350
	$ 8,060,820	$ 7,900,741	$ 7,229,675
Export Revenues Included in United States Revenues Above:			
Central and South America	$ 375,000	$ 800,000	$ 1,010,000
Asia	2,540,000	1,494,000	904,000
Other Europe	550,000	617,000	729,000
Australia and New Zealand	448,000	310,000	437,000
Other	530,000	291,000	255,000
	$ 4,443,000	$ 3,512,000	$ 3,335,000
Product Information			
Revenues:			
Test & Measurement	$24,093,000	$21,653,000	$15,854,000
QuickLabel Systems	10,656,000	12,521,000	15,238,000
Grass Instruments	9,426,000	9,574,000	10,470,000
	$44,175,000	$43,748,000	$41,562,000

No single customer accounted for 10% of net sales in fiscal 1997, 1998, 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 $185,000 for fiscal 1997, $227,400 for fiscal 1998, and $230,000 for fiscal 1999.

ASTRO-MED, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Description	Balance at Beginning of Period	Provision Charged to Operations	Deductions(2)	Balance at End of Period
Allowance for Doubtful Accounts(1):				
Year Ended January 31,				
1997	157,000	2,152	(15,848)	175,000
1998	175,000	38,585	37,797	175,788
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.