

ASTRO MED INC /NEW/  
Form 10-Q  
September 08, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended July 30, 2011

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)

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**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)

**(401) 828-4000**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of \_\_\_\_\_ the latest practicable date.

**Common Stock, \$.05 Par Value 7,295,674 shares**

**(excluding treasury shares) as of September 2, 2011**

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**Table of Contents****Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****ASTRO-MED, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

|  | <b>July 30,<br/>2011<br/>(Unaudited)</b> | <b>January 31,<br/>2011<br/>(Audited)</b> |
|--|--|---|
| <b>ASSETS</b>  |  |   |
| <b>CURRENT ASSETS</b>  |  |   |
| Cash and Cash Equivalents  | \$ 9,540,061                             | \$ 7,720,135                              |
| Securities Available for Sale  | 10,688,536                               | 12,910,232                                |
| Accounts Receivable, net   | 12,499,775                               | 11,111,974                                |
| Inventories  | 13,902,781                               | 14,404,914                                |
| Deferred Tax Assets  | 2,570,713                                | 2,577,166                                 |
| Prepaid Expenses and Other Current Assets  | 1,270,148                                | 975,928                                   |
| <b>Total Current Assets</b>  | <b>50,472,014</b>                        | <b>49,700,349</b>                         |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>   |  |   |
| PROPERTY, PLANT AND EQUIPMENT  | 38,897,159                               | 38,148,516                                |
| Less Accumulated Depreciation  | (26,452,225)                             | (25,606,561)                              |
| Property, Plant and Equipment, net   | 12,444,934                               | 12,541,955                                |
| <b>OTHER ASSETS</b>  |  |   |
| Intangible Assets, net   | 295,555                                  | 331,389                                   |
| Goodwill   | 2,336,721                                | 2,336,721                                 |
| Other  | 109,553                                  | 88,799                                    |
| <b>Total Other Assets</b>  | <b>2,741,829</b>                         | <b>2,756,909</b>                          |
| <b>TOTAL ASSETS</b>  | <b>\$ 65,658,777</b>                     | <b>\$ 64,999,213</b>                      |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |  |   |
| <b>CURRENT LIABILITIES</b>   |  |   |
| Accounts Payable   | \$ 2,167,971                             | \$ 2,748,293                              |
| Accrued Compensation   | 2,153,523                                | 2,179,448                                 |
| Other Accrued Expenses   | 2,053,974                                | 1,750,515                                 |
| Deferred Revenue   | 710,600                                  | 787,988                                   |
| Income Taxes Payable   | 328,101                                  | 36,979                                    |
| <b>Total Current Liabilities</b>   | <b>7,414,169</b>                         | <b>7,503,223</b>                          |
| Deferred Tax Liabilities   | 2,074,340                                | 2,060,418                                 |
| Other Long Term Liabilities  | 1,146,978                                | 1,146,978                                 |
| <b>TOTAL LIABILITIES</b>   | <b>10,635,487</b>                        | <b>10,710,619</b>                         |
| <b>SHAREHOLDERS EQUITY</b>   |  |   |
| Common Stock, \$.05 Par Value, Authorized 13,000,000 shares; Issued 8,765,869 and 8,660,270 shares at July 30, 2011 and January 31, 2011, respectively | 438,298                                  | 433,017                                   |
| Additional Paid-In Capital   | 37,039,399                               | 36,586,226                                |

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|   |                      |                      |
|---|----------------------|----------------------|
| Retained Earnings   | 27,299,572           | 26,842,890           |
| Treasury Stock, at Cost, 1,470,710 and 1,414,981 shares at July 30, 2011 and January 31, 2011, respectively | (10,261,921)         | (9,840,052)          |
| Accumulated Other Comprehensive Income  | 507,942              | 266,513              |
| Total Shareholders' Equity  | 55,023,290           | 54,288,594           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>\$ 65,658,777</b> | <b>\$ 64,999,213</b> |

See Notes to condensed consolidated financial statements (unaudited).

**Table of Contents****ASTRO-MED, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**

|  | <b>Three Months Ended</b> |                          | <b>Six Months Ended</b>  |                          |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>July 30,<br/>2011</b>  | <b>July 31,<br/>2010</b> | <b>July 30,<br/>2011</b> | <b>July 31,<br/>2010</b> |
| Net Sales                                      | \$ 20,335,676             | \$ 17,753,057            | \$ 39,195,665            | \$ 34,830,060            |
| Cost of Sales                                  | 12,434,648                | 10,728,926               | 23,793,350               | 20,940,786               |
| Gross Profit                                   | 7,901,028                 | 7,024,131                | 15,402,315               | 13,889,274               |
| Costs and Expenses:                            |                           |                          |                          |                          |
| Selling and Marketing                          | 4,526,112                 | 4,276,478                | 9,091,650                | 8,117,346                |
| General and Administrative                     | 964,210                   | 1,064,193                | 1,875,141                | 2,247,978                |
| Research and Development                       | 1,187,406                 | 1,135,337                | 2,655,268                | 2,354,212                |
| Operating Expenses                             | 6,677,728                 | 6,476,008                | 13,622,059               | 12,719,536               |
| Operating Income                               | 1,223,300                 | 548,123                  | 1,780,256                | 1,169,738                |
| Other Income (Expense)                         | 296,962                   | (1,043)                  | 447,282                  | 106,235                  |
| Income Before Income Taxes                     | 1,520,262                 | 547,080                  | 2,227,538                | 1,275,973                |
| Income Tax Provision                           | 474,423                   | 224,303                  | 750,260                  | 523,149                  |
| Net Income                                     | \$ 1,045,839              | \$ 322,777               | \$ 1,477,278             | \$ 752,824               |
| Net Income per Common Share:                   |                           |                          |                          |                          |
| Basic  | \$ 0.14                   | \$ 0.04                  | \$ 0.20                  | \$ 0.10                  |
| Diluted  | \$ 0.14                   | \$ 0.04                  | \$ 0.20                  | \$ 0.10                  |
| Weighted Average Number of Shares Outstanding: |                           |                          |                          |                          |
| Basic  | 7,292,986                 | 7,300,722                | 7,280,211                | 7,247,802                |
| Diluted  | 7,445,536                 | 7,505,203                | 7,423,539                | 7,488,323                |
| Dividends Declared Per Common Share            | \$ 0.07                   | \$ 0.07                  | \$ 0.14                  | \$ 0.14                  |

See Notes to condensed consolidated financial statements (unaudited).

**Table of Contents****ASTRO-MED, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

|   | Six Months Ended    |                      |
|---|---------------------|----------------------|
|   | July 30,<br>2011    | July 31,<br>2010     |
| <b>Cash Flows from Operating Activities:</b>  |                     |                      |
| Net Income  | \$ 1,477,278        | \$ 752,824           |
| <b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</b>        |                     |                      |
| Depreciation and Amortization   | 816,251             | 809,797              |
| Share-Based Compensation  | 118,246             | 174,505              |
| Deferred Income Tax Provision   | 20,375              | 12,509               |
| Life Insurance Proceeds Receivable  | (301,697)           |                      |
| Legal Settlement Receivable   |                     | 1,495,051            |
| Loss (Gain) on Sale of Securities Available for Sale  |                     | 30,961               |
| <b>Changes in Assets and Liabilities:</b>   |                     |                      |
| Accounts Receivable   | (1,387,801)         | (950,171)            |
| Inventories   | 502,134             | (1,563,214)          |
| Income Taxes  | 480,959             | (74,796)             |
| Accounts Payable and Accrued Expenses   | (505,154)           | (419,268)            |
| Other   | (27,441)            | (66,737)             |
| <b>Net Cash Provided by Operating Activities</b>  | <b>1,193,150</b>    | <b>201,461</b>       |
| <b>Cash Flows from Investing Activities:</b>  |                     |                      |
| Proceeds from Sales/Maturities of Securities Available for Sale                                 | 5,880,000           | 5,649,039            |
| Purchases of Securities Available for Sale  | (3,646,025)         | (6,380,000)          |
| Additions to Property, Plant and Equipment  | (631,427)           | (1,365,364)          |
| <b>Net Cash Provided (Used) by Investing Activities</b>   | <b>1,602,548</b>    | <b>(2,096,325)</b>   |
| <b>Cash Flows from Financing Activities:</b>  |                     |                      |
| Proceeds from Common Shares Issued Under Employee Benefit Plans and Employee Stock Option Plans | 44,824              | 492,696              |
| Cash Settlement of Stock Options  |                     | (186,044)            |
| Dividends Paid  | (1,020,596)         | (1,014,351)          |
| <b>Net Cash Used in Financing Activities</b>  | <b>(975,772)</b>    | <b>(707,699)</b>     |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                     | <b>1,819,926</b>    | <b>(2,602,563)</b>   |
| Cash and Cash Equivalents, Beginning of Period  | 7,720,135           | 14,155,096           |
| <b>Cash and Cash Equivalents, End of Period</b>   | <b>\$ 9,540,061</b> | <b>\$ 11,552,533</b> |
| <b>Supplemental Disclosures of Cash Flow Information:</b>                                       |                     |                      |
| Cash Paid During the Period for Income Taxes, Net of Refunds                                    | \$ 255,706          | \$ 595,121           |
| See Notes to condensed consolidated financial statements (unaudited).                           |                     |                      |

**Table of Contents****ASTRO-MED, INC.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****(1) Overview**

Headquartered in West Warwick, Rhode Island, Astro-Med Inc. develops and manufactures a broad range of specialty printers and data acquisition systems. Our products are distributed through our own sales force and authorized dealers in the United States. We also sell to customers outside of the United States primarily by using authorized dealers and international sales representatives, who are managed from our foreign sales offices. Astro-Med, Inc. products are sold under the brand names Astro-Med<sup>®</sup> Test & Measurement, Grass<sup>®</sup> Technologies and QuickLabel<sup>®</sup> Systems and are employed around the world in a wide range of aerospace, automotive, communications, chemical, food and beverage, medical, military, industrial, and packaging applications.

Unless otherwise indicated, references to Astro-Med, the Company, we, our, and us in this Quarterly Report on Form 10-Q refer to Astro-Med Inc. and its consolidated subsidiaries.

**(2) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by Astro-Med pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods included herein. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with footnotes contained in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2011.

Results of operations for the interim periods presented herein are not necessarily indicative of the results that may be expected for the full year.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Some of the more significant estimates relate to the allowances for doubtful accounts and credits, inventory valuation, impairment of long-lived assets and goodwill, income taxes, share-based compensation 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.

**(3) Principles of Consolidation**

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

**(4) Net Income Per Common Share**

Basic net income per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of shares and, if dilutive, common equivalent shares for stock options outstanding during the period. A reconciliation of the shares used in calculating basic and diluted net income per share is as follows:

|  |                            | <b>Three Months Ended</b> |                 | <b>Six Months Ended</b> |                 |
|--|----------------------------|---------------------------|-----------------|-------------------------|-----------------|
|  |                            | <b>July 30,</b>           | <b>July 31,</b> | <b>July 30,</b>         | <b>July 31,</b> |
|  |                            | <b>2011</b>               | <b>2010</b>     | <b>2011</b>             | <b>2010</b>     |
| Weighted Average Common Shares Outstanding | Basic                      | 7,292,986                 | 7,300,722       | 7,280,211               | 7,247,802       |
|  | Effect of Dilutive Options | 152,550                   | 204,481         | 143,328                 | 240,521         |
| Weighted Average Common Shares Outstanding | Diluted                    | 7,445,536                 | 7,505,203       | 7,423,539               | 7,488,323       |



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For the three and six months ended July 30, 2011, the diluted per share amounts do not reflect options outstanding of 615,769 and 736,590, respectively. For the three and six months ended July 31, 2010, the diluted per share amounts do not reflect options outstanding of 782,346 and 719,408, respectively. These outstanding options were not included, due to their anti-dilutive effect, as the exercise price of the options was greater than the average market price of the underlying stock during the periods presented.

### **(5) Share-Based Compensation**

Astro-Med has one equity incentive plan (the Plan ) under which incentive stock options, non-qualified stock options, restricted stock and other equity based awards may be granted to officers and certain employees. To date, only options have been granted under

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the Plan. Options granted to employees vest over four years. An aggregate of 1,000,000 shares were authorized for awards under the Plan. The exercise price of each stock option will be established at the discretion of the Compensation Committee; however, any incentive stock options granted must be at an exercise price of not less than fair market value at the date of grant. The Plan provides for an automatic annual grant of ten-year options to purchase 5,000 shares of stock to each non-employee director upon the adjournment of each annual shareholders meeting. Each such option is exercisable at the fair market value as of the grant date and vests immediately prior to the next succeeding annual shareholders meeting. During the second quarter of fiscal 2012, 15,000 options were awarded to non-employee directors pursuant to the Plan. At July 30, 2011, 688,044 shares were available for grant under the Plan.

We have estimated the fair value of each option on the date of grant using the Black-Scholes option-pricing model. Our estimate of share-based compensation requires a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns (expected life of the options), the risk-free interest rate and the Company's dividend yield. The stock price volatility assumption is based on the historical weekly price data of our common stock over a period equivalent to the weighted average expected life of our options. Management evaluated whether there were factors during that period which were unusual and would distort the volatility figure if used to estimate future volatility and concluded that there were no such factors. In determining the expected life of the option grants, the Company has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant and has assessed the expected risk tolerance of different option groups. The risk-free interest rate is based on the actual U.S. Treasury zero coupon rates for bonds matching the expected term of the option as of the option grant date.

The fair value of stock options granted during the six months ended July 30, 2011 and July 31, 2010 was estimated using the following assumptions:

|                          | Six Months Ended |                  |
|--------------------------|------------------|------------------|
|                          | July 30,<br>2011 | July 31,<br>2010 |
| Risk Free Interest Rate  | 1.8% - 2.0%      | 2.11% - 2.42%    |
| Expected Volatility      | 39.1% - 39.4%    | 41.3%            |
| Expected Life (in years) | 5.0              | 5.0              |
| Dividend Yield           | 3.6% - 3.9%      | 3.4%             |

The weighted average fair value per share for options granted was \$2.03 during the first quarter of fiscal 2012 and \$2.05 during the second quarter of fiscal 2012 compared to \$2.12 and \$2.06 during the first and second quarters of fiscal 2011.

Aggregated information regarding stock options granted under the Plan for the six months ended July 30, 2011 is summarized below:

|                                 | Number of Options | Weighted Average<br>Exercise<br>Price | Weighted Average<br>Remaining<br>Contractual<br>Life<br>(in Years) | Aggregate Intrinsic<br>Value |
|---------------------------------|-------------------|---------------------------------------|--|------------------------------|
| Outstanding at January 31, 2011 | 1,219,183         | \$ 7.03                               | 4.2  | \$ 1,946,412                 |
| Granted                         | 50,000            | 7.96                                  |  |                              |
| Exercised                       | (102,322)         | 3.13                                  |  |                              |
| Expired or canceled             | (19,769)          | 7.25                                  |  |                              |
| Outstanding at July 30, 2011    | 1,147,092         | \$ 7.42                               | 4.0  | \$ 1,459,139                 |
| Exercisable at July 30, 2011    | 1,000,684         | \$ 7.41                               | 3.4  | \$ 1,377,293                 |

Share-based compensation expense was recognized as follows:

Three Months Ended

Six Months Ended

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|                    | July 30, 2011 | July 31, 2010 | July 30, 2011 | July 31, 2010 |
|--------------------|---------------|---------------|---------------|---------------|
| Cost of Sales      | \$ 7,119      | \$ 13,996     | \$ 21,276     | \$ 32,158     |
| Operating Expenses | 33,489        | 64,260        | 96,970        | 142,347       |
| Total              | \$ 40,608     | \$ 78,256     | \$ 118,246    | \$ 174,505    |

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As of July 30, 2011 there was \$260,961 of unrecognized compensation expense related to unvested options.

Astro-Med has an Employee Stock Purchase Plan allowing eligible employees to purchase shares of common stock at a 15% discount from fair value on the date of purchase. A total of 247,500 shares were reserved for issuance under this plan. During the quarters ended July 30, 2011 and July 31, 2010, 1,559 and 1,939 shares respectively, were purchased under this plan. During the six months ended July 30, 2011 and July 31, 2010, 3,277 and 3,667 shares respectively, were purchased under this plan. As of July 30, 2011, 73,731 shares remain available.

**(6) Comprehensive Income**

The Company's comprehensive income is as follows:

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | July 30,<br>2011   | July 31,<br>2010 | July 30,<br>2011 | July 31,<br>2010 |
| Net Income  | \$ 1,045,839       | \$ 322,777       | \$ 1,477,278     | \$ 752,824       |
| Other Comprehensive Income (Loss), net of taxes and reclassification adjustments: |                    |                  |                  |                  |
| Foreign currency translation adjustments  | (149,686)          | (69,674)         | 233,324          | (222,448)        |
| Unrealized holding gain (loss) arising during the period                          | (219)              | 7,506            | 8,105            | 14,046           |
| Other Comprehensive Income (Loss)   | (149,905)          | (62,168)         | 241,429          | (208,402)        |
| Comprehensive Income  | \$ 895,934         | \$ 260,609       | \$ 1,718,707     | \$ 544,422       |

**(7) 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 are as follows:

|                        | July 30, 2011 | January 31, 2011 |
|------------------------|---------------|------------------|
| Materials and Supplies | \$ 8,746,452  | \$ 8,450,985     |
| Work-In-Process        | 1,258,574     | 982,092          |
| Finished Goods         | 3,897,755     | 4,971,837        |
|                        | \$ 13,902,781 | \$ 14,404,914    |

**(8) Income Taxes**

The Company's effective tax rates for the periods, which are based on the projected effective tax rate for the full year, are as follows:

|             | Three Months Ended | Six Months Ended |
|-------------|--------------------|------------------|
| Fiscal 2012 | 31.2%              | 33.7%            |
| Fiscal 2011 | 41.0%              | 41.0%            |

As of July 30, 2011 and January 31, 2011, the Company's cumulative unrecognized tax benefits totaled \$726,661. There were no developments affecting unrecognized tax benefits during the three and six months ended July 30, 2011.

**Table of Contents****(9) Segment Information**

The Company reports three segments consistent with its sales product groups: Test & Measurement (T&M); QuickLabel Systems (QuickLabel) and Grass Technologies (Grass). The Company evaluates segment performance based on the segment profit before corporate expenses.

Summarized below are the Net Sales and Segment Operating Profit for each reporting segment:

| <i>(In thousands)</i>      | Three Months Ended |                  |                          |                  | Six Months Ended |                  |                          |                  |
|----------------------------|--------------------|------------------|--------------------------|------------------|------------------|------------------|--------------------------|------------------|
|                            | Net Sales          |                  | Segment Operating Profit |                  | Net Sales        |                  | Segment Operating Profit |                  |
|                            | July 30,<br>2011   | July 31,<br>2010 | July 30,<br>2011         | July 31,<br>2010 | July 30,<br>2011 | July 31,<br>2010 | July 30,<br>2011         | July 31,<br>2010 |
| T&M                        | \$ 4,477           | \$ 3,617         | \$ 861                   | \$ 417           | \$ 8,226         | \$ 6,827         | \$ 873                   | \$ 718           |
| QuickLabel                 | 11,238             | 10,102           | 627                      | 405              | 22,012           | 20,256           | 1,408                    | 1,056            |
| Grass                      | 4,621              | 4,034            | 745                      | 654              | 8,958            | 7,747            | 1,410                    | 1,355            |
| Total                      | \$ 20,336          | \$ 17,753        | 2,233                    | 1,476            | \$ 39,196        | \$ 34,830        | 3,691                    | 3,129            |
| Corporate Expenses         |                    |                  | 1,010                    | 928              |                  |                  | 1,911                    | 1,959            |
| Operating Income           |                    |                  | 1,223                    | 548              |                  |                  | 1,780                    | 1,170            |
| Other Income (Expense) Net |                    |                  | 297                      | (1)              |                  |                  | 448                      | 106              |
| Income Before Income Taxes |                    |                  | 1,520                    | 547              |                  |                  | 2,228                    | 1,276            |
| Income Tax Provision       |                    |                  | 474                      | 224              |                  |                  | 751                      | 523              |
| Net Income                 |                    |                  | \$ 1,046                 | \$ 323           |                  |                  | \$ 1,477                 | \$ 753           |

**(10) Recent Accounting Pronouncements***Comprehensive Income*

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, Presentation of Comprehensive Income, which requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. While ASU-2011-05 changes the presentation of comprehensive income, it does not change the components that are recognized in net income or comprehensive income under current accounting guidance. This amended guidance is effective for fiscal years, and interim periods within those years, ending December 15, 2011, and must be applied retroactively. Since ASU 2011-05 impacts presentation only, the adoption of this guidance will not have any effect on our consolidated financial position or results of operations.

*Fair Value Measurements*

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. ASU 2011-04 does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or IFRSs. ASU 2011-04 changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, ASU 2011-04 clarifies the FASB's intent about

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the application of existing fair value measurement. This update is effective for annual periods beginning after December 15, 2011. We do not expect the provisions of ASU 2011-04 to have a material effect on our consolidated financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures About Fair Value Measurement*, which requires reporting entities to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. ASU 2010-06 is effective for annual periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which were effective for annual periods beginning after December 15, 2010. The adoption of ASU 2010-06 did not have a material effect on our consolidated financial position or results of operations.

*Revenue Recognition*

In October 2009, the FASB issued ASU 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements* a consensus of the FASB Emerging Issues Task Force and ASU 2009-14, *Software (Topic 985) Certain Arrangements That Include Software Elements* a consensus of the FASB Emerging Issues Task Force. ASU 2009-13 provides amendments to the criteria in Subtopic 605-25 for separating consideration in multiple-deliverable arrangements. The amendments in this update established a selling price hierarchy for determining the selling price of a deliverable. ASU 2009-13 also eliminates the residual method of allocating arrangement consideration and significantly expands the disclosures required for multiple-element revenue arrangements. ASU 2009-14 removes (1) tangible products containing software components and (2) non-software components that function together to deliver the tangible products essential functionality from the scope of software revenue guidance (ASC 965-605). ASU 2009-14 also provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. We adopted ASU 2009-13 and ASU 2009-14 prospectively for revenue arrangements entered into or materially modified on or after February 1, 2011. Adoption of the new guidance did not have a material effect on our consolidated financial position and results of operations.

Except for the ASUs discussed above, all other ASUs issued by the FASB as of the filing date of this Quarterly Report on Form

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**(11) Securities Available for Sale**

Pursuant to our investment policy, securities available for sale include state and municipal securities with various contractual or anticipated maturity dates ranging from one to twenty-nine months. Securities available for sale are carried at fair value, with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in shareholders' equity until realized. Realized gains and losses from the sale of available for sale securities, if any, are determined on a specific identification basis. A decline in the fair value of any available for sale security below cost that is determined to be other than temporary will result in a write-down of its carrying amount to fair value. No such impairment charges were recorded for any period presented. All short-term investment securities have original maturities greater than 90 days. The fair value, amortized cost and gross unrealized gains and losses of the securities are as follows:

|                                 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value    |
|---------------------------------|----------------|------------------------|-------------------------|---------------|
| <b>July 30, 2011</b>            |                |                        |                         |               |
| State and Municipal Obligations | \$ 10,663,246  | \$ 28,988              | \$ (3,698)              | \$ 10,688,536 |
| <b>January 31, 2011</b>         |                |                        |                         |               |
| State and Municipal Obligations | \$ 12,897,221  | \$ 15,949              | \$ (2,938)              | \$ 12,910,232 |

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We measure our financial assets at fair value on a recurring basis in accordance with the guidance provided in ASC 820, Fair Value Measurement and Disclosures which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, ASC 820 establishes a three-tiered hierarchy for inputs used in management's determination of fair value of financial instruments that emphasizes the use of observable inputs over the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that reflect management's belief about the assumptions market participants would use in pricing a financial instrument based on the best information available in the circumstances.

The fair value hierarchy is summarized as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table represents the fair value hierarchy for our financial assets (cash equivalents and investments) measured at fair value on a recurring basis:

| July 30, 2011                   | Level 1       | Level 2 | Level 3 | Total         |
|---------------------------------|---------------|---------|---------|---------------|
| Money Market Funds              | \$ 6,230,506  | \$      | \$      | \$ 6,230,506  |
| State and Municipal Obligations | 10,688,536    |         |         | 10,688,536    |
| Total                           | \$ 16,919,042 | \$      | \$      | \$ 16,919,042 |

| January 31, 2011                | Level 1       | Level 2 | Level 3 | Total         |
|---------------------------------|---------------|---------|---------|---------------|
| Money Market Funds              | \$ 4,926,983  | \$      | \$      | \$ 4,926,983  |
| State and Municipal Obligations | 12,910,232    |         |         | 12,910,232    |
| Total                           | \$ 17,837,215 | \$      | \$      | \$ 17,837,215 |

**(14) Life Insurance Proceeds**

During the second quarter of fiscal 2012, we recognized income on key-man life insurance proceeds of \$300,000. This income is included in other income in the accompanying consolidated statement of operations for the three and six month periods ended July 30, 2011.

**(15) Litigation Settlement**

In November 2009, Astro-Med was awarded a \$1,391,000 judgment related to a lawsuit filed by the Company against a former employee and a competitor business. At issue in the lawsuit was the violation of a non-competition agreement which the former employee had signed as a condition of employment with Astro-Med. The \$1,391,000 judgment included both punitive and exemplary damages, as well as attorney fees (all of which have been previously expensed) and related interest earned on the judgment and was recorded as a gain on legal settlement in the

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consolidated statement of operations and as a receivable in prepaid and other current assets in the consolidated balance sheet for the fiscal year ended January 31, 2010. In November 2009, the Company also filed a motion to amend the original judgment to include additional legal fees of \$73,000. This motion was granted on February 12, 2010. On February 17, 2010, the Company collected a total of \$1,495,000 related to this legal proceeding, which included the \$1,391,000 gain on legal settlement recorded in the fourth quarter of fiscal 2010 and \$104,000 for interest and the additional attorney fees as granted pursuant to the February 12, 2010 motion. The \$104,000 was recorded as an additional gain on legal settlement in the first quarter of fiscal 2011 and is included in other income in the accompanying consolidated statement of operations for the six month period ended July 31, 2010.

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**Table of Contents****Item 2.****ASTRO-MED, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS****Business Overview**

This section should be read in conjunction with Astro-Med's Condensed Consolidated Financial Statements included elsewhere herein and our Annual Report on Form 10-K for the fiscal year ended January 31, 2011.

Astro-Med is a multi-national enterprise, which designs, develops, manufactures, distributes and services a broad range of products that acquire, store, analyze and present data in multiple formats. The Company organizes its structure around a core set of competencies, including research and development, manufacturing, service, marketing and distribution. We market and sell our products and services through the following three sales product groups:

Test and Measurement Product Group (T&M) represents a suite of telemetry recorder products sold to the aerospace and defense industries, as well as portable data acquisition recorders, which offer diagnostic and test functions to a wide range of manufacturers including automotive, energy, paper and steel fabrication. In addition, T&M also includes a suite of ruggedized printer products and ethernet switches designed for military and commercial applications to be used in the avionics industry to print weather and airport maps, communications and other critical flight information.

QuickLabel Systems Product Group (QuickLabel) offers hardware, software and media products that create on demand color labels and store and produce images in color or non-color formats on a broad range of media substrates.

Grass Technologies Product Group (Grass) centers on diagnostic and monitoring products that serve the clinical neurophysiology markets, as well as a range of biomedical instrumentation products and supplies focused on the life sciences markets.

Astro-Med markets and sells its products and services globally through a diverse distribution structure of sales personnel, manufacturing representatives and dealers that deliver a full complement of branded products and services to customers in our respective markets.

**Results of Operations****Three Months Ended July 30, 2011 vs. Three Months Ended July 31, 2010**

Net sales by product group and current quarter percentage change over prior year for the three months ended July 30, 2011 and July 31, 2010 were:

| <i>(Dollars in thousands)</i> | <b>July 30,<br/>2011</b> | <b>As a<br/>% of<br/>Net Sales</b> | <b>July 31,<br/>2010</b> | <b>As a<br/>% of<br/>Net Sales</b> | <b>% Change<br/>Over<br/>Prior Year</b> |
|-------------------------------|--------------------------|------------------------------------|--------------------------|------------------------------------|---|
| T&M                           | \$ 4,477                 | 22.0%                              | \$ 3,617                 | 20.4%                              | 23.8%                                   |
| QuickLabel                    | 11,238                   | 55.3%                              | 10,102                   | 56.9%                              | 11.2%                                   |
| Grass                         | 4,621                    | 22.7%                              | 4,034                    | 22.7%                              | 14.6%                                   |
| Total                         | \$ 20,336                | 100.0%                             | \$ 17,753                | 100.0%                             | 14.5%                                   |

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The Company achieved record sales of \$20,336,000 for the current year second quarter, representing a 14.5% increase as compared to the previous year's second quarter sales of \$17,753,000 and a 7.8% improvement over current year first quarter sales of \$18,860,000. Sales through the domestic channels for the current quarter were \$14,275,000, an increase of 13.3% over the prior year. International shipments for the second quarter of the current year were \$6,061,000, representing a 17.6% increase from the previous year. Current year's second quarter international sales include a \$450,000 favorable impact due to foreign exchange rates.

Hardware sales in the current quarter were \$9,382,000, an increase of 33.7% as compared to prior year's second quarter sales of \$7,019,000 and an 18.7% improvement over the current year first quarter sales of \$7,902,000. The increase in hardware sales was evident in all three product groups, as all three groups achieved double-digit growth with T&M current quarter hardware sales of \$4,050,000, a 37.3% increase compared to prior year's second quarter sales of \$2,950,000; QuickLabel current quarter hardware sales of \$2,443,000, a 53.5% increase compared to prior year's second quarter sales of \$1,592,000 and Grass Technologies current quarter hardware sales of \$2,889,000, a 16.6% increase compared to prior year's second quarter sales of \$2,477,000.

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Consumables sales in the current quarter were \$9,704,000, representing a nominal decrease over current year first quarter consumable sales of \$9,740,000, but an increase of 2.5% over the prior year's second quarter consumable sales of \$9,464,000. The increase in consumable sales for the current quarter as compared to prior year's second quarter was primarily attributable to sales of digital color printer supplies within the QuickLabel product group, which were up 31.8%. Also contributing to the current quarter increase was the 11.2% increase in sales of Grass Technologies' electrodes and cream products as compared to the prior year's second quarter. This overall increase was slightly tempered by the 51.9% decrease in sales of chart paper within the T&M group, and a 6.3% decrease in sales of QuickLabel's Thermal Transfer Ribbon product line as compared to prior year's second quarter, due to a lower installed base of these printers.

Service and other revenues of \$1,250,000 in the current quarter were slightly down from prior year's second quarter service and other revenues of \$1,270,000, primarily due to the decrease in repair revenue during the quarter. This decrease was slightly offset by an increase in service revenue during the current year second quarter as compared to the same period in the prior year.

Current year second quarter gross profit was \$7,901,000, reflecting an improvement over both the current year first quarter gross profit of \$7,501,000 and the prior year's second quarter gross profit of \$7,024,000. The Company's gross profit margin of 38.9% in the current quarter reflects a decline from the prior year's second quarter gross profit margin of 39.6%. The lower gross profit margin for the current quarter as compared to prior year is primarily attributable to higher material costs.

Operating expenses for the current quarter were \$6,678,000, a 3.1% increase from prior year's second quarter operating expenses of \$6,476,000. Specifically, selling and marketing expenses for the current quarter increased 5.8% to \$4,526,000 as compared to the previous year's second quarter selling and marketing expenses of \$4,277,000. The increase in selling and marketing for the current quarter was primarily due to increases in personnel cost, as well as an increase in commissions due to increased sales and new marketing initiatives. General and administrative (G&A) expenses decreased 9.4% to \$964,000 in the second quarter of the current year as compared to prior year's second quarter G&A expenses of \$1,064,000. The decrease in G&A was primarily due to a decrease in professional service fees. Investment in research & development (R&D) in the second quarter of the current year of \$1,188,000 represents a 4.7% increase compared to prior year's second quarter investment of \$1,135,000. The current quarter spending in R&D represents 5.8% of sales, a decline from the prior year's second quarter level of 6.4%.

Second quarter operating income of \$1,223,000 more than doubled as compared to the prior year's second quarter operating income of \$548,000. Operating margin for the second quarter of the current year of 6.0% has nearly doubled as compared to the prior year's second quarter margin of 3.1%.

Other income during the second quarter was \$297,000 compared to other expense of \$1,000 in the second quarter of the previous year. The increase was primarily due to \$300,000 of income recognized in the current quarter related to the disposition of a key-man life insurance policy.

The provision for federal and state income taxes for the second quarter of the current year was \$474,000 reflecting an effective tax rate of 31.2%. This result compares to the prior year's second quarter income tax expense of \$224,000 reflecting an effective tax rate of 41.0%. The lower effective tax rate for the second quarter of the current year as compared to the prior year is primarily due to a discrete benefit related to key-man life insurance proceeds recognized in the current quarter.

The Company reported \$1,046,000 in net income for the second quarter of the current year, reflecting a return on sales of 5.1% and generating EPS of \$0.14 per diluted share, which includes \$0.04 per diluted share related to income of \$300,000 from life insurance proceeds recognized in the current quarter. Excluding the \$300,000 of income from life insurance proceeds in the current quarter, return on sales would be 3.7%. On a comparative basis, prior year's second quarter recognized net income of \$323,000 reflecting a return on sales of 1.8% and an EPS of \$0.04 per diluted share.

**Table of Contents****Six Months Ended July 30, 2011 vs. Six Months Ended July 31, 2010**

Net sales by product group and current quarter percentage change over prior year for the six months ended July 30, 2011 and July 31, 2010 were:

| <i>(Dollars in thousands)</i> | July 31,<br>2011 | As a<br>% of<br>Net Sales | July 31,<br>2010 | As a<br>% of<br>Net Sales | % Change<br>Over<br>Prior Year |
|-------------------------------|------------------|---------------------------|------------------|---------------------------|--------------------------------|
| T&M                           | \$ 8,226         | 21.0%                     | \$ 6,827         | 19.6%                     | 20.5%                          |
| QuickLabel                    | 22,012           | 56.2%                     | 20,256           | 58.2%                     | 8.7%                           |
| Grass                         | 8,958            | 22.8%                     | 7,747            | 22.2%                     | 15.6%                          |
| Total                         | \$ 39,196        | 100.0%                    | \$ 34,830        | 100.0%                    | 12.5%                          |

Net sales for the six month period of the current fiscal year were \$39,196,000, a 12.5% increase as compared to sales of \$34,830,000 as reported for the first six months of the prior fiscal year. Sales through the domestic channels for the first six months of the current year were \$26,849,000, an 8.4% increase from the prior year. International sales for the first six months of the current year of \$12,347,000 includes a favorable impact of \$641,000 due to foreign exchange rates and reflects a 22.8% increase as compared to the prior year.

The Company's hardware sales were \$17,284,000 in the first six months of fiscal 2012, a 33.5% increase as compared to the same period in the prior year. All three product groups experienced double-digit hardware growth in the current year with T&M hardware sales for the first six months of the current year of \$7,326,000, a 34.9% increase compared to prior year's sales of \$5,430,000; QuickLabel hardware sales for the first six months of the current year of \$4,285,000, a 47.1% increase compared to prior year's sales of \$2,913,000 and Grass Technologies hardware sales for the first six months of the current year of \$5,673,000, a 23.1% increase compared to prior year's sales of \$4,607,000.

Consumables sales first six months of the current year were \$19,444,000, representing an increase of 2.1% over the prior year's consumable sales of \$19,051,000. The overall increase in consumable sales for the first six months of the current year was primarily attributable to sales of digital color printer supplies within the QuickLabel product group, which were up 25.6% as compared to the prior year. Also contributing to the current quarter increase was a 9.9% increase in sales of Grass Technologies' electrodes and cream products as compared to the prior year. This overall increase was tempered by somewhat lower sales of chart paper within the T&M group, as well as lower sales of QuickLabel's Thermal Transfer Ribbon product lines.

Service and other revenues of \$2,468,000 in the first six months of fiscal 2012 were down 12.8% from prior year's service and other revenues of \$2,829,000, primarily due to the decrease in repair revenue, as well as a decrease in parts revenue.

The Company achieved \$15,402,000 in gross profit for the first six months of fiscal 2012 and generated a gross profit margin of 39.3% as compared to prior year's gross profit of \$13,889,000 and related gross profit margin of 39.9%. The decline in gross profit margin for the first six months of the current year is due to higher manufacturing costs.

Operating expenses in the first six months of the current year were \$13,622,000, representing a 7.1% increase from the prior year. Selling and marketing expenses for the first six months of the current year increased 12.0% from the prior year to \$9,092,000 with the increase traceable primarily to higher personnel cost, as well as increased commissions and outside service spending. R&D spending for the current six months is \$2,655,000, representing a 12.8% increase as compared with prior year R&D spending of \$2,354,000. Spending in R&D represents 6.8% of sales for the first six months of both the current and prior year. General and administrative (G&A) expenses for the first six months of the current year were \$1,875,000, a 16.6% decrease from the prior year. The lower spending level for G&A in the current year is mainly attributed to the lower professional services spending.

The Company earned \$1,780,000 in operating income during the first six months of fiscal year 2012, as compared to \$1,170,000 for the same period in the prior year. On a margin basis, this year's operating income reflects an operating margin of 4.5% on sales compared to prior year's operating margin of 3.4%.

Other income realized during the first six months of the current fiscal year is \$447,000 as compared to the other income of \$106,000 reported in the previous year. This increased level of other income for the current year is a result of income recognized of \$300,000



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related to the disposition of a key-man life insurance policy. Also, increases in investment income, as well as foreign exchange gains recognized in the current year contributed to the increase over the prior year. Other income for the first six months of fiscal 2011 includes a \$104,000 gain on legal settlement for interest and attorney fees recognized as a result of damages collected from a lawsuit filed against a former employee and competitor business.

The Company has provided federal and state income tax expense of \$750,000 for the six month period ended July 30, 2011. This year's provision reflects an effective tax rate of 33.7%, down from the prior year's effective tax rate of 41.0%. The lower effective tax rate in fiscal 2012 as compared to the prior year is primarily due to a discrete benefit recognized related to the key-man life insurance proceeds received in the current year.

Net income earned during the first six months of the current fiscal year was \$1,477,000, a sharp increase from prior year's first six months of net income of \$753,000, and reflects a return on sales of 3.8%. This year's net income resulted in an EPS of \$0.20 per diluted share, which includes \$0.04 per diluted share related to \$300,000 of income from key-man life insurance proceeds recognized in the current year. Excluding the \$300,000 of income from life insurance proceeds in the current year, return on sales would be 3.0%. On a comparative basis, prior year's first six months net income reflected a return on sales of 2.2% and generated an EPS of \$0.10 per diluted share.

**Table of Contents****Segment Analysis**

The Company reports three segments consistent with its sales product groups: Test & Measurement (T&M); QuickLabel Systems (QuickLabel) and Grass Technologies (Grass). The Company evaluates segment performance based on the segment profit before corporate and financial administration expenses.

Summarized below are the Net Sales and Segment Operating Profit for each reporting segment:

| <i>(In thousands)</i>      | Three Months Ended |                  |                          |                  | Six Months Ended |                  |                          |                  |
|----------------------------|--------------------|------------------|--------------------------|------------------|------------------|------------------|--------------------------|------------------|
|                            | Net Sales          |                  | Segment Operating Profit |                  | Net Sales        |                  | Segment Operating Profit |                  |
|                            | July 30,<br>2011   | July 31,<br>2010 | July 30,<br>2011         | July 31,<br>2010 | July 30,<br>2011 | July 31,<br>2010 | July 30,<br>2011         | July 31,<br>2010 |
| T&M                        | \$ 4,477           | \$ 3,617         | \$ 861                   | \$ 417           | \$ 8,226         | \$ 6,827         | \$ 873                   | \$ 718           |
| QuickLabel                 | 11,238             | 10,102           | 627                      | 405              | 22,012           | 20,256           | 1,408                    | 1,056            |
| Grass                      | 4,621              | 4,034            | 745                      | 654              | 8,958            | 7,747            | 1,410                    | 1,355            |
| Total                      | \$ 20,336          | \$ 17,753        | 2,233                    | 1,476            | \$ 39,196        | \$ 34,830        | 3,691                    | 3,129            |
| Corporate Expenses         |                    |                  | 1,010                    | 928              |                  |                  | 1,911                    | 1,959            |
| Operating Income           |                    |                  | 1,223                    | 548              |                  |                  | 1,780                    | 1,170            |
| Other Income (Expense) Net |                    |                  | 297                      | (1)              |                  |                  | 448                      | 106              |
| Income Before Income Taxes |                    |                  | 1,520                    | 547              |                  |                  | 2,228                    | 1,276            |
| Income Tax Provision       |                    |                  | 474                      | 224              |                  |                  | 751                      | 523              |
| Net Income                 |                    |                  | \$ 1,046                 | \$ 323           |                  |                  | \$ 1,477                 | \$ 753           |

**Test & Measurement T&M**

Sales revenues from the Test & Measurement product group were \$4,477,000 for the second quarter of the current fiscal year, representing a 23.8% increase as compared to sales of \$3,617,000 for the same period in the prior year. The increase is primarily attributable to sales of the Ruggedized product line. The significant improvement in Ruggedized product sales for the second quarter is due to the increase in shipments of contracted orders. The current quarter increase is slightly tempered by decreases in the traditional recorder hardware business, as well as a decrease in service and other revenue. T&M's second quarter segment operating profit increased to \$861,000 resulting in a 19.2% profit margin as compared to the prior year's segment operating profit of \$417,000 and related operating margin of 11.5%. The improvement in both segment operating profit and related margin was due to higher sales, favorable sales product mix and lower operating expenses.

For the first six months of the current fiscal year, sales revenues of the T&M product group were \$8,226,000, a 20.5% increase as compared to sales of \$6,827,000 for the same period of the previous year. The increase in sales is primarily attributable to the 60.0% increase in sales of Ruggedized product line. The increase in Ruggedized sales is due to the increase in shipment of contracted orders for the first half of fiscal 2012. Also contributing to the overall increase are sales of T&M's traditional recorder hardware business, including the new TMX product line. T&M's current year sales increase was slightly tempered by a decrease in T&M's consumable product line. T&M current year's segment operating profit of \$873,000 represents a 21.6% increase from the prior year's segment operating profit of \$718,000 and provided an operating profit margin of 10.6%, a slight increase from the prior year's margin of 10.5%. The increase in T&M current year's segment operating profit margin is traceable to higher sales and favorable product mix.

**QuickLabel Systems QuickLabel**

Sales revenues from the QuickLabel Systems product group were \$11,238,000 in the second quarter of the current year as compared to \$10,102,000 in the same quarter of the prior year. The increase in sales is primarily due to the hardware product line which increased 53.6% from the prior year. Within the hardware line, sales of the Vivo! and Zeo! line of products, which includes the new Vivo! Touch, increased 117.0%, from the same period in the prior year. Also contributing to the hardware sales increase for the current quarter were sales of monochromatic printers, as current quarter sales increased 38.7% as compared to the same period in the prior year. The consumable product line

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also contributed to the overall current quarter increase in sales, with a 3.0% increase compared to the prior year sales. QuickLabel's current quarter segment operating profit was \$627,000, reflecting a profit margin of 5.6% and an increase from prior year's second quarter segment profit of \$405,000 and related profit margin of 4.0%. The increase in QuickLabel's current year's segment operating profit and related margin is due to higher sales and favorable product mix.

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The QuickLabel product group had sales revenue of \$22,012,000 for the first six months of the current fiscal year as compared with \$20,256,000 in sales revenues reported for the same period in the prior year. The increase in current year's sales is primarily attributed to the hardware product lines which increased 47.1% from the prior year. Within the hardware line, sales of the Vivo! and Zeo! product lines, which includes the new Vivo! Touch, made a significant contribution to the overall growth rate, for the first six months of the current year. Current year revenues from QuickLabel's consumable product lines also represents a slight increase over the previous year as sales, with the majority of the increase attributable to the increase in sales of Vivo! and Zeo! supplies. Segment operating profit margin of 6.4% for the first six months of the current year has increased as compared to a 5.2% for the same period of the previous year. The increase in profit margins is due to higher sales and favorable product mix.

**Grass Technologies - Grass**

Sales revenues in the second quarter of the current year for the Grass group were \$4,621,000 representing a 14.6% increase as compared to prior year's second quarter sales of \$4,034,000. The increase in sales is primarily attributable to sales in the Clinical hardware line, as current quarter sales were up 30.4% over prior year's second quarter sales of \$1,771,000. The increase is particularly evident in the EEG and Long-Term Monitoring product lines. Also contributing to the increase in sales for the current quarter are the consumable products of electrodes and creams, which have increased 11.2%, as compared to the prior year sales. The increase in current quarter Grass sales was slightly tempered by the 18.0% decrease in Research hardware product line sales, which have been adversely affected by the economic downturn and lower funding sources currently being experienced by hospitals, laboratories and research facilities. Segment operating profits increased \$91,000 or 13.9% in the current quarter, with the segment achieving an operating profit margin of 16.1% as compared to a segment operating profit margin of 16.2% as reported in the second quarter of the prior year. The lower segment operating profit margin is primarily due to product mix and higher manufacturing costs.

Grass sales were \$8,958,000 for the six months of the current year, an increase of 15.6% as compared to sales of \$7,747,000 for the same period of the prior year. The year over year increase is primarily attributed to sales of the Clinical hardware product lines, which have increased 34.9%. Within the Clinical hardware product line, current year EEG sales increased 84.1%, while the Long Term Monitoring product line sales increased 25.0% as compared to the same period in the prior year. This increase was slightly tempered by a decline in the sales of Grass Research hardware product line, as current year sales have decreased 7.3% as compared to the prior year. Segment operating profit increased 4.1% to \$1,410,000, resulting in a 15.7% operating profit margin as compared to prior year's segment operating profit margin of 17.5%. The decline in segment margin is primarily due to an increase in selling and marketing expenses.

**Financial Condition and Liquidity**

The Company believes that cash provided by operations will continue to be sufficient to meet operating and capital needs for at least the next twelve months. However, in the event that cash from operations is not sufficient, the Company has a substantial cash and short term marketable securities balance as well as a \$5.0 million revolving bank line of credit, all of which is currently available. Borrowings under this line of credit bear interest at either a fluctuating rate equal to 75 basis points below the base rate, as defined in the agreement, or at a fixed rate equal to 150 basis points above LIBOR.

The Company's statements of cash flows for the six months ended July 30, 2011 and July 31, 2010 are included on page 5. Net cash flows provided by operating activities was \$1,193,000 in the current year compared to net cash provided by operating activities of \$201,000 in the previous year. The improved cash flow provided in the second quarter of the current year as compared to the same period in the previous year is primarily related to higher net income and lower inventory balances. Inventory decreased to \$13,903,000 at the end of the second quarter compared to \$14,405,000 at year end and inventory days on hand also decreased to 101 days on hand at the end of the current quarter from 124 days at year end. The increase in cash provided by operations for the second quarter was tempered by the increase in accounts receivable. Accounts receivables increased to \$12,500,000 at the end of the second quarter as compared to \$11,112,000 at year-end and the accounts receivable collection cycle increased to 55 days sales outstanding at the end of the quarter as compared to 54 days outstanding at year end.

The Company's cash, cash equivalents and investments at the end of the second quarter totaled \$20,229,000 compared to \$20,630,000 at year end. The lower cash and investment position resulted from an increase in accounts receivable, as noted above, as well as cash used to acquire property, plant and equipment of \$631,000 and to pay cash dividends of \$1,021,000 offset by insurance proceeds of \$300,000.

The Company's backlog increased 12.4% to \$7,998,000 at the end of the second quarter from a backlog of \$7,114,000 at year-end.

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**Critical Accounting Policies, Commitments and Certain Other Matters**

In the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2011, the Company's most critical accounting policies and estimates upon which our financial status depends were identified as those relating to revenue recognition, warranty claims, bad debts, inventories, income taxes, long-lived assets, goodwill and share-based compensation. We considered the disclosure requirements of Financial Release (FR) 60 (FR-60) regarding critical accounting policies and FR-61 regarding liquidity and capital resources, certain trading activities and related party/certain other disclosures, and concluded that nothing materially changed during the quarter that would warrant further disclosure under these releases.

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, but rather reflect our current expectations concerning future events and results. We generally use the words believes, expects, intends, plans, anticipates, likely, continues, may, will, and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors which could cause actual results to differ materially from those anticipated include, but are not limited to (a) general economic, financial and business conditions; (b) declining demand in the test and measurement markets, especially defense and aerospace; (c) competition in the specialty printer industry; (d) ability to develop market acceptance of our products and effective design of customer required features; (e) competition in the data acquisition industry; (f) competition in the neurophysiology industry; (g) the impact of changes in foreign currency exchange rates on the results of operations; (h) the ability to successfully integrate acquisitions; (i) the business abilities and judgment of personnel and changes in business strategy; (j) the efficacy of research and development investments to develop new products; (k) the launching of significant new products which could result in unanticipated expenses; (l) bankruptcy or other financial problems at major suppliers or customers that could cause disruptions in the Company's supply chain or difficulty in collecting amounts owed by such customers; (m) and other risks included under Item 1A-Risk Factors in our Annual Report on Form 10-K for the fiscal year ended January 31, 2011. We assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The registrant is a smaller reporting company and is not required to provide this information.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to have materially affected, our internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. 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 1A. Risk Factors**

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the fiscal year ended January 31, 2011, which could materially affect our business, financial condition or future operating results. The risks described in our Annual Report on 10-K are not the only risks that we face, as additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating result as well as adversely affect the value of our investments in our common stock.

There have been no material updates to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2011.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On August 16, 2004, the Company announced that its Board of Directors had approved the repurchase of 600,000 shares of common stock. This is an ongoing authorization without any expiration date.

During the second quarter of fiscal 2012, the Company made the following repurchases of its common stock:

|         |         | Total Number of Shares Repurchased | Average Price paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs |
|---------|---------|------------------------------------|------------------------------|--|
|         |         |                                    |                              | Maximum Number of Shares That May Be Purchased Under The Plans or Programs       |
| May 1   | May 28  |                                    | \$                           | 254,089  |
| May 29  | June 25 |                                    | \$                           | 254,089  |
| June 26 | July 30 |                                    | \$                           | 254,089  |

On August 22, 2011 the Company's Board of Directors approved an increase in the number of shares authorized for repurchase from 254,089 to 500,000.

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**Item 6. Exhibits**

The following exhibits are filed as part of this report on Form 10-Q:

|         |   |
|---------|---|
| 31.1    | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2    | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1    | Certification of Chief Executive Officer Pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002    |
| 32.2    | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document  |
| 101.SCH | XBRL Taxonomy Extension Schema Document   |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document  |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ASTRO-MED, INC.**

**(Registrant)**

Date: September 8, 2011

By /s/ Everett V. Pizzuti  
Everett V. Pizzuti,  
President and Chief Executive Officer

(Principal Executive Officer)

By /s/ Joseph P. O. Connell  
Joseph P. O. Connell,  
Senior Vice President, Treasurer and Chief Financial Officer

(Principal Financial Officer)