LSI INDUSTRIES™

1999 ANNUAL REPORT

THE POWER OF LIGHTING AND GRAPHICS

Financial Highlights

	1999	1998	1997
Income Statement Data			
(In thousands, except per share)			
Net sales	**$227,789**	$189,139	$144,742
Operating income	**$ 27,228**	$ 20,194	$ 13,709
Net Income	**$ 17,101**	$ 12,587	$ 8,872
Earnings per share			
Basic	**$ 1.73**	$ 1.32	$ .99
Diluted	**$ 1.70**	$ 1.29	$ .97
Balance Sheet Data			
(In thousands)			
Working capital	**$ 49,615**	$ 40,237	$ 30,192
Total assets	**$137,714**	$110,316	$ 95,189
Shareholders' equity	**$102,752**	$ 78,657	$ 67,968

Corporate Profile

LSI Industries is an integrated design, manufacturing, and imaging company supplying its own high-quality lighting fixtures and graphics elements for both exterior and interior applications primarily in North America. The Company's major markets are the petroleum / convenience store market, the multi-site retail market (including restaurants, automobile dealerships, and national retail accounts), and the commercial / industrial lighting market. Additionally, LSI Industries produces and markets menu board systems and is a major supplier of outdoor, indoor and landscape lighting for the commercial / industrial market.

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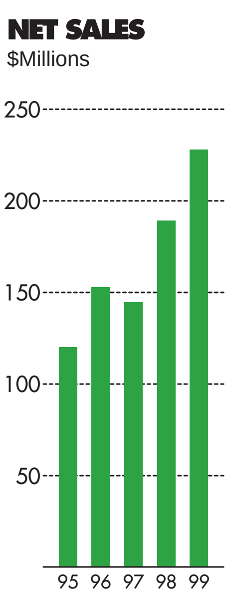
For years, LSI has built its business on innovative lighting products and a comprehensive array of interior and exterior graphics products. The Company continually invests in the research and development of new **LIGHTING** products so that customers may benefit from the latest designs and materials. These lighting innovations can then shine above, on or through colorful **GRAPHICS** that help marketers separate themselves from the competition and claim greater market share. Consumers and employees benefit from the improved safety of well-lit areas and more efficient service through improved signage. With its unique blend of full-service lighting and graphics capabilities, LSI serves as a single-source partner with customers as they strive to shape a distinctive **IMAGE** through the power of lighting and graphics. For marketers in dozens of industries, LSI illuminates the fact that image is everything.

THE POWER OF LIGHTING AND GRAPHICS

Dear Shareholders,

As we look back over 24 years in business, there is no question that 1999 was LSI's best year ever. Every one of our divisions turned in a strong performance and contributed to our overall success. As a result, we were once again included on *Forbes* magazine's list of the "200 Best Small Companies." Even though we had received that honor twice before, this year's announcement was especially gratifying because it acknowledged our ability to maintain a high percentage of growth year after year. This is due, in large part, to the dedication of our employees and the soundness of our growth strategies.

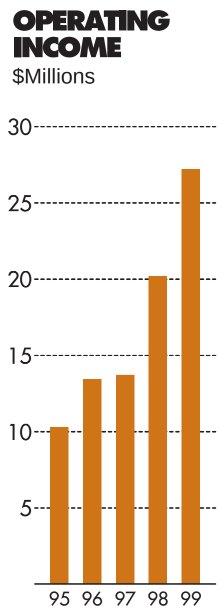
We saw record sales over the year just past and continued to enjoy an extremely strong balance sheet. We are pleased that we have been able to show strong revenue growth while simultaneously reducing costs. In my opinion, this demonstrates a great deal of commitment and pride on the part of our 1700 employees.

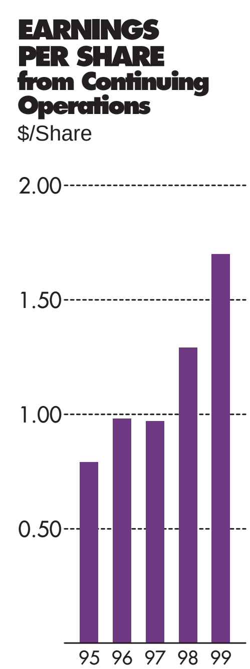


So what specifically contributed to such a terrific year?

Our new product, Authentic Abolite, was introduced to the industrial market in fiscal 1998 and is beginning to make a name for itself in what is a highly competitive market.

Acquisitions have also been critical to our success. The acquisitions of MidWest Lighting and Fairfax Lighting in Kansas City, Kansas were completed in January 1999, and Retail Graphics of Woonsocket, Rhode Island, was added in April 1999. All of these companies are key to the strategic growth of our lighting and graphics markets, and all are performing better than we had anticipated. We will continue to look for acquisitions that fit either our Image Group or our Commercial / Industrial Lighting Group and that promote our Lighting + Graphics = Image growth strategy.

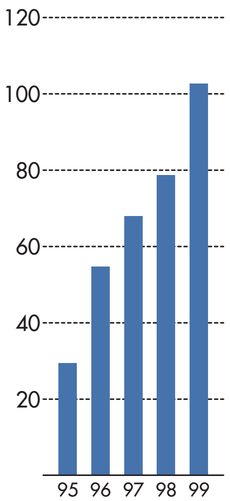




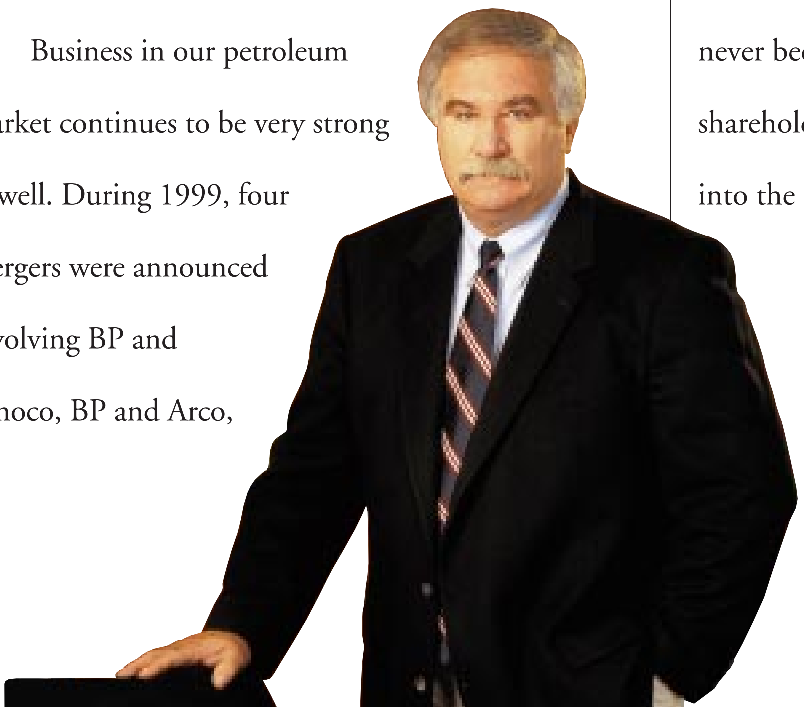
Another reason for our strong revenue growth came from our four-year-old menu board division, LSI IMAGES. Quick service restaurant companies have recognized that the menu boards they are presently using are antiquated and are creating a great deal of confusion for their customers. This has created a great opportunity for LSI to develop and introduce a more consumer-friendly menu board system. We also believe that we are positioned to participate in any major menu board conversion program that may be introduced by a major quick service restaurant company in the future.

SHAREHOLDERS' EQUITY

$Millions



Business in our petroleum market continues to be very strong as well. During 1999, four mergers were announced involving BP and Amoco, BP and Arco, Texaco and Shell, and Exxon and Mobil. It is our belief that, in time, these new mergers will call for new identity programs and new imaging opportunities. LSI is in an excellent position to provide its expertise to such re-imaging projects.



In 1999, we focused on improving manufacturing efficiencies and systems implementation. Our MIS team worked hard to prepare for a conversion to the J.D. Edwards "One World" software package. The software conversion, a huge undertaking, will keep our Company on the cutting edge of technology and represents a strategic move that will help us handle future growth.

The strong growth we experienced in 1999 will set the pace for the year 2000. Our divisions are ready for the challenge, and the Company as a whole has never been more capable or confident. Our shareholders have a lot to look forward to as LSI steps into the new millennium.

Sincerely,

Robert J. Ready

Robert J. Ready
Chairman, President and CEO

Commercial / Industrial Lighting Group

Whether customers are looking at merchandise, menus, parking spaces or ball games, lighting is crucial. LSI provides attractive, durable and energy-efficient lighting fixtures for both interior and exterior applications. Commercial and industrial clients know they can rely on LSI for contemporary, functional solutions.

ABOLITE LIGHTING

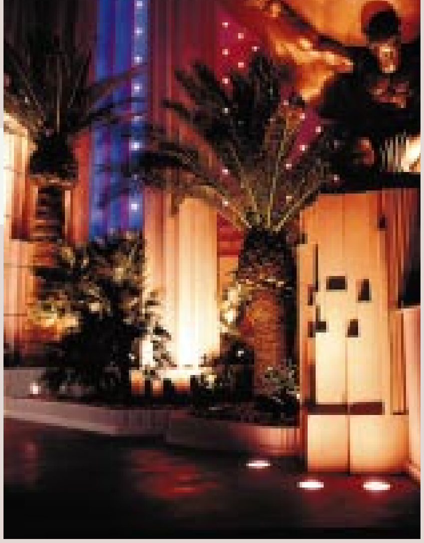
Abolite Commercial and Industrial fixtures deliver efficient lighting to warehouses, parking garages, office space and other multi-purpose facilities.

AUTHENTIC ABOLITE

Restaurants, hotels, retail locations and offices find the durability and ageless design of **Authentic Abolite RLM** make them both beautiful and practical.

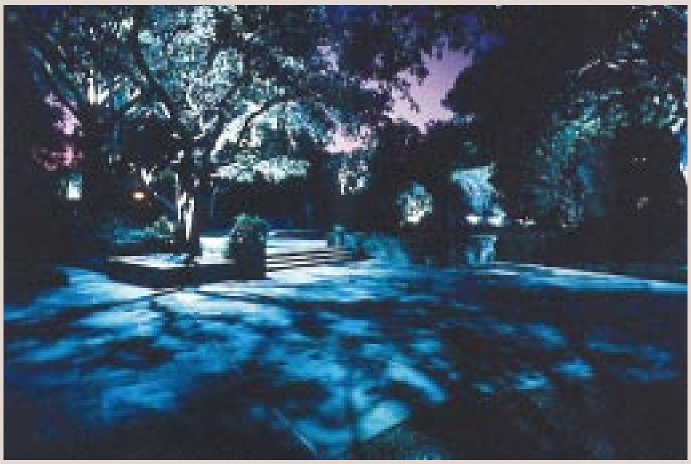
LSI LIGHTING SYSTEMS

LSI Lighting Systems offers a complete line of lighting fixtures, poles and brackets to enhance the safety, security and overall image of any site.



GREENLEE LIGHTING

Greenlee Lighting is the leader in designing corrosion-proof composite fixtures to illuminate landscape and architectural features.



LSI MIDWEST LIGHTING

LSI MidWest Lighting designs and manufactures a full range of premium-grade fluorescent lighting products for commercial and industrial use.

courtsider® SPORTS LIGHTING

Courtsider Sports Lighting provides practical, efficient and beautiful lighting solutions no matter what the sport, court or location.

AUTOMOTIVE

LSI Automotive offers practical, yet distinctively stylish, interior and exterior lighting solutions to complement any auto dealership setting.

QSR LIGHTING

LSI QSR Lighting is dedicated to enhancing both interior and exterior image for restaurants. Full-range products complement any architectural design.

PETROLEUM

Gas stations rely on the expertise of **LSI Petroleum** for lighting, security and merchandising. LSI's Scottsdale® fixture revolutionized canopy lighting.

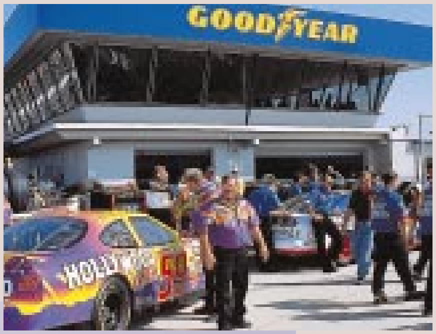
IMAGES®

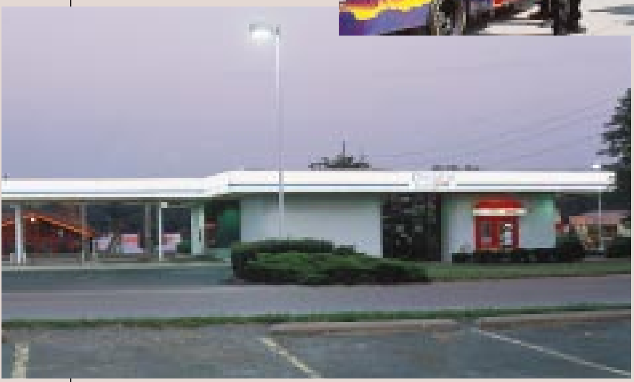
LSI IMAGES designs and manufactures indoor and drive-thru menu board systems for national quick service restaurant chains.

At the counter or on a point-of-purchase display, words and pictures come together to create an image. That image extends to the exterior where lighting and graphics can draw customers, increase revenues and improve security. LSI helps retailers build awareness, sales and profits with dynamic image products.

INSIGHT GRAPHIC SYSTEMS

Insight Graphic Systems designs, manufactures and installs image-enhancing illuminated fascia systems for commercial and retail applications.



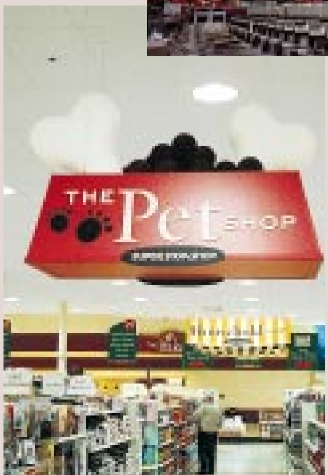


Grady McCauley

Grady McCauley, an industry leader in high-tech digital imaging production and screen printing, manufactures full-color custom graphics for major retail operations.

sgi Integrated Graphic Systems™

SGI Integrated Graphic Systems utilizes a broad product and service offering to implement corporate identity programs for customers on a turnkey basis.



LSI Retail Graphics

LSI Retail Graphics designs, fabricates and installs a variety of indoor graphics products from aisle markers to valance programs to "store within a store" concepts.

Manufacturing Support Group

These divisions perform two important functions to support LSI's overall success. First, they market their own unique variety of fabrication services and products to a number of industries. And second, they also provide manufacturing support to LSI's own Commercial / Industrial Lighting Group and the Image Group.

LSI METAL FABRICATION

LSI Metal Fabrication offers metal stamping, sheet metal fabrication and powder coating for lighting, structural graphics and menu board products.

LSI MARCOLE

LSI Marcole produces defect-free wire harnesses to meet customer requirements, including our own Commercial / Industrial Lighting Group.

LSI Image Center

One picture is worth a thousand words. Through the virtual reality and videoconferencing capabilities of the LSI Image Center, customers can see that picture clearly. The Image Center lets customers explore more options while it eliminates guesswork, improves total image results, reduces development costs and saves time.

Financial Results

Sales by Business Segment

(In thousands)

	1999	1998	1997
Image Group	**$159,277**	$138,886	$101,562
Commercial/ Industrial Lighting Group	**68,512**	50,253	43,180
	$227,789	$189,139	$144,742

Results of Operations

1999 Compared to 1998

Net sales of $227,789,000 in fiscal 1999 increased 20% over fiscal 1998 net sales of $189,139,000. Results of the Image Group in fiscal 1999 include the operations of LSI Retail Graphics (acquired April 1999; less than 1% of net sales in fiscal 1999). Results of the Commercial / Industrial Lighting Group include the operations of LSI MidWest Lighting (acquired January 1999; approximately 4% of net sales in fiscal 1999). Commercial / Industrial Lighting Group net sales increased 36% and Image Group net sales increased 15% in fiscal 1999 as compared to the prior year. The increase in the Commercial / Industrial Lighting Group net sales resulted from growth in substantially all markets and from inclusion of the results of LSI MidWest Lighting. The increase in Image Group net sales is attributed to growth in substantially all markets and products, particularly petroleum lighting, quick service restaurant, and interior graphics, as well as to the inclusion of the results of LSI Retail Graphics. Net sales of the Image Group to the petroleum / convenience store market represented 43% and 49% of net sales in fiscal 1999 and fiscal 1998, respectively. While sales prices were increased, inflation did not have a significant impact on sales in 1999 as competitive pricing pressures held price increases to a minimum.

Gross profit of $77,108,000 increased 20% over last year's gross profit of $64,480,000, and decreased as a percentage of net sales to 33.9% in fiscal year 1999 as compared to 34.1% in the prior year. The increase in amount of gross profit is due primarily to the 20% increase in net sales. The decrease in gross profit percentage is primarily related to slightly lower margins from businesses acquired in fiscal 1999. Selling and administrative expenses increased to $49,880,000 from $44,286,000 primarily as a result of increased sales volume and the addition of the acquired businesses. As a percentage of net sales, selling and administrative expenses were at 21.9% in fiscal 1999 as compared to 23.4% in the prior year.

The Company reported net interest income of $253,000 in fiscal 1999 as compared to net interest income of $37,000 in fiscal 1998 primarily reflective of an increased amount of short-term cash investments. The Company's effective tax rate increased to 37.6% in fiscal 1999 as compared to 37.5% in fiscal 1998 primarily due to increased amortization of goodwill which is not deductible for tax purposes.

Net income of $17,101,000 increased 36% over $12,587,000 in fiscal 1998. The increased net income resulted from increased gross profit on higher net sales, and from the reporting of a larger amount of net interest income in fiscal 1999 as compared to 1998, partially offset by increased operating expenses and income taxes. Diluted earnings per share of $1.70 increased 32% in fiscal 1999 from $1.29 per share in fiscal 1998. The weighted average common shares outstanding for purposes of computing diluted earnings per share increased 3% in fiscal 1999 to 10,088,000 shares from 9,790,000 shares in 1998 primarily as a result of common shares issued to acquire businesses and the exercise of stock options during the year.

Certain recently issued accounting pronouncements will affect the Company's future financial statements and / or disclosures. See Note 1 to the accompanying consolidated financial statements for additional discussion.

1998 Compared to 1997

Net sales of $189,139,000 in 1998 increased 31% over 1997 net sales of $144,742,000. Results of the Image Group in fiscal 1998 include the operations of the Company's new graphics subsidiary, Grady McCauley, which was acquired June 30, 1997. Results of the Commercial / Industrial Lighting Group include the operations of the Company's newest subsidiary, LSI Marcole, which was acquired February 6, 1998. Image Group net sales increased 37% and Commercial / Industrial Lighting Group net sales increased 16% in fiscal 1998 as compared to the prior year primarily as a result of growth in the multi-site retail market. The increase in Image Group sales is attributed to growth in substantially all markets and products, particularly graphics, petroleum lighting, and quick service restaurant, as well as to the inclusion of Grady McCauley in the operating results in fiscal 1998. Net sales of the Image Group to the petroleum / convenience store market represented 49% and 50% of net sales in fiscal 1998 and fiscal 1997, respectively. While sales prices were increased, inflation did not have a significant impact on sales in 1998 as competitive pricing pressures held price increases to a minimum.

Gross profit of $64,480,000 increased 33% over last year's gross profit of $48,542,000, and increased as a percentage of net sales to 34.1% in fiscal year 1998 as compared to 33.5% in the prior year. The increase in amount of gross profit is due primarily to the 31% increase in net sales. The increase in gross profit percentage is primarily related to the Company's graphics operations reporting an improved aggregate gross profit percentage, to changes in lighting product mix to higher margin products, and to improved manufacturing operating efficiencies in the Company's lighting business. Selling and administrative expenses increased to $44,286,000 from $34,833,000 primarily as a result of increased sales volume and the addition of Grady McCauley. As a percentage of net sales, selling and administrative expenses were at 23.4% in fiscal 1998 as compared to 24.1% in the prior year.

The Company reported net interest income of $37,000 in fiscal 1998 as compared to net interest income of $487,000 in fiscal 1997 reflective of the significantly reduced amount of short-term cash investments during the year. Cash which had been invested was used at the end of fiscal 1997 for the acquisition of Grady McCauley. The Company's effective tax rate increased to 37.5% in fiscal 1998 as compared to 37.0% in fiscal 1997 primarily due to an increase in the rate of federal income tax.

Net income of $12,587,000 in fiscal 1998 increased 42% over $8,872,000 in fiscal 1997. The increased net income resulted from increased gross profit on higher net sales, partially offset by increased operating expenses, increased income taxes, and from the reporting of a larger amount of net interest income in fiscal 1997 as compared to fiscal 1998. Diluted earnings per share of $1.29 increased 33% in fiscal 1998 from $.97 per share in fiscal 1997. The weighted average common shares outstanding for purposes of computing diluted earnings per share increased 7% in 1998 to 9,790,000 shares from 9,188,000 shares in 1997 primarily as a result the common shares used in the acquisition of Grady McCauley in June 1997.

Liquidity and Capital Resources

The Company considers its level of cash on hand, its current ratio and working capital levels to be its most important measures of short-term liquidity. For long-term liquidity indicators, the Company believes its ratio of long-term debt to equity and its historical levels of net cash flows from operating activities to be the most important measures.

At June 30, 1999 the Company had working capital of $49.6 million, compared to $40.2 million at June 30, 1998. The ratio of current assets to current liabilities increased to 2.56 to 1 from 2.37 to 1. The increased working capital is primarily attributed to increased cash and receivables, partially offset by increases in accounts payable and accrued expenses.

The Company generated $21.9 million of cash from operating activities in fiscal 1999 as compared to $14.3 million fiscal 1998. The Company generated more net cash flows from operating activities in fiscal 1999 primarily due to increased net income, reduction of inventories, and a lesser increase in accounts receivable, partially offset by a decrease in accounts payable and less of an increase in accrued expenses. As of June 30, 1999, the Company's days sales outstanding were at approximately 54 days, decreased from the June 30, 1998 statistic of 55 days. Essentially all current assets and current liabilities increased as of June 30, 1999 as compared to June 30, 1998 due to growth of the business and due to the two acquisitions made in the second half of fiscal 1999.

In addition to cash generated from operations, the Company's primary source of liquidity continues to be its lines of credit. The Company has two unsecured revolving lines of credit totaling $32 million, all of which was available as of August 24, 1999. A $12 million line of credit expires in the fourth quarter of fiscal 2000. The primary line of credit in the amount of $20 million is a three year committed credit facility expiring in fiscal 2002 with an annual renewal in the fourth quarter of fiscal 2000. The Company believes that the total of available lines of credit plus cash flows from operating activities is adequate for the Company's fiscal 2000 operational and capital expenditure needs. The Company is in compliance with all of its loan covenants. Excluding the acquisitions of LSI MidWest Lighting and LSI Retail Graphics in fiscal 1999 and LSI Marcole in fiscal 1998, capital expenditures of $4.5 million in fiscal 1999 compare to $4.1 million in the prior year. Spending in fiscal year 1999 was primarily related to expansion of the Company's graphics capabilities, initial capitalization of Company-wide enterprise resource planning software, and tooling for new products. Capital expenditures totaling approximately $8 million are planned for fiscal 2000, exclusive of business acquisitions.

On August 18 1999 the Board of Directors declared a cash dividend of $0.1475 per share (approximately $1,500,000), comprised of a $0.0675 per share regular quarterly dividend and a $0.08 per share special year-end dividend, to be paid September 14, 1999 to shareholders of record on September 7, 1999. During fiscal 1999, the Company paid cash dividends each quarter. Cash paid for dividends in fiscal 1999 was $3.2 million, a 17% increase over the $2.8 million paid in fiscal 1998.

On April 9, 1999, the Company acquired substantially all assets and assumed certain liabilities of Retail Graphics, Inc., a privately owned manufacturer of interior graphics primarily for the retail market. For financial statement purposes the acquisition was accounted for as a purchase with operating results of LSI Retail Graphics first included in the Company's fourth quarter fiscal 1999 results in the Image Group. The total purchase price for the business, exclusive of acquisition costs, was $3,300,000, consisting of $2,475,000 in cash and 47,578 common shares of the Company (valued at $825,000). The acquisition provides for a contingent "earn-out" having a maximum value of $600,000, payable in similar percentages of cash and common shares, which could be earned during the first two years after acquisition providing certain minimum net sales and earnings thresholds are exceeded. An additional approximate $1 million was used immediately following the acquisition to reduce acquired liabilities. The purchase price exceeded the estimated fair value of net assets acquired by $3.2 million, which is recorded as goodwill and is being amortized over twenty years.

The Company completed the acquisition of Mid-West Chandelier Company and Fairfax Lighting, Inc., two privately owned manufacturers of interior fluorescent lighting fixtures, effective January 1, 1999. For financial statement purposes these acquisitions were accounted for as purchases with operating results of LSI MidWest Lighting first included in the Company's third quarter fiscal 1999 results in the Commercial / Industrial Lighting Group. The total purchase price for the two companies was $16,000,000, exclusive of acquisition costs, consisting of $8,000,000 in cash and 357,143 common shares of the Company (valued at $8,000,000). The acquisition provides for a contingent "earn-out" having a maximum value of $1 million in cash and $1 million in stock which could be earned during the three years subsequent to the merger providing certain minimum earnings thresholds are exceeded. An additional approximate $1 million was used immediately following the acquisition to reduce acquired liabilities. The purchase price exceeded the estimated fair value of net assets acquired by $7.7 million, which is recorded as goodwill and is being amortized over forty years.

The Company has completed its review of its business systems, office support systems, and its facilities and equipment with respect to year 2000 programming deficiencies. No systems or equipment critical to operation of the business have been identified as having a year 2000 deficiency, and therefore the Company has not yet developed any contingency plans. The review has extended to major suppliers and customers, and this element of the review is expected to be completed by September 30, 1999. The Company does not anticipate material costs to be incurred to modify or replace any affected systems. The Company anticipates completion of this process prior to September 30, 1999. The Company has not to date developed any contingency plans related to its major suppliers. Such plans will depend upon the responses from major suppliers in the event any of them should indicate that they will not be year 2000 compliant.

The Company continues to seek opportunities to invest in new products and markets, and in acquisitions which fit its strategic growth plans in the lighting and graphics markets. The Company believes that adequate financing for any such investments or acquisitions will be available through future borrowings or through the issuance of common or preferred shares in payment for acquired businesses.

LSI Industries Inc.
Consolidated Income Statements

For the years ended June 30, 1999, 1998, and 1997
(In thousands, except per share)

	1999	1998	1997
Net sales	**$227,789**	$189,139	$144,742
Cost of products sold	**150,681**	124,659	96,200
Gross profit	**77,108**	64,480	48,542
Selling and administrative expenses	**49,880**	44,286	34,833
Operating income	**27,228**	20,194	13,709
Interest (income)	(477)	(143)	(528)
Interest expense	**224**	106	41
Other expense	**95**	108	114
Income before income taxes	**27,386**	20,123	14,082
Income tax expense	**10,285**	7,536	5,210
Net income	**$ 17,101**	$ 12,587	$ 8,872
Earnings per common share			
Basic earnings per share	**$ 1.73**	$ 1.32	$ .99
Diluted earnings per share	**$ 1.70**	$ 1.29	$ .97

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

LSI Industries Inc.
Consolidated Balance Sheets

June 30, 1999 and 1998
(In thousands, except shares)

	1999	1998
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 13,881**	$ 9,338
Accounts receivable, less allowance for doubtful accounts of $1,213 and $560, respectively	**39,630**	33,184
Inventories	**25,261**	24,958
Refundable income taxes	**157**	157
Other current assets	**2,530**	1,911
Total current assets	**81,459**	69,548
Property, Plant and Equipment, at cost		
Land	**3,863**	3,459
Buildings	**18,477**	15,458
Machinery and equipment	**30,642**	25,874
	52,982	44,791
Less accumulated depreciation	**(19,997)**	(17,056)
Net property, plant and equipment	**32,985**	27,735
Goodwill, net	**23,270**	12,921
Other Assets	**--**	112
	$137,714	$110,316

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

	1999	1998
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable to bank	**$ 379**	$ --
Current maturities of long-term debt	**196**	190
Accounts payable	**14,628**	13,689
Accrued expenses	**16,641**	15,432
Total current liabilities	**31,844**	29,311
Long-Term Debt	**1,705**	1,005
Other Long-Term Liabilities	--	112
Deferred Income Taxes	**1,413**	1,231
Shareholders' Equity		
Preferred shares, without par value; Authorized 1,000,000 shares, none issued	--	--
Common shares, without par value; Authorized 30,000,000 shares; Outstanding 10,151,690 and 9,634,608 shares, respectively	**45,588**	35,368
Retained earnings	**57,164**	43,289
Total shareholders' equity	**102,752**	78,657
	$137,714	$110,316

LSI Industries Inc.
Consolidated Statements of Shareholders' Equity

For the years ended June 30, 1999, 1998, and 1997
(In thousands, except per share data)

	Common Shares			
	Number of Shares	Amount	Retained Earnings	Total
Balance at June 30, 1996	8,964	$28,082	$26,655	$ 54,737
Net income	--	--	8,872	8,872
Purchase of treasury shares	(21)	(233)	--	(233)
Deferred stock compensation	--	346	--	346
Stock options exercised, net	80	321	--	321
Common shares issued for acquisition	476	6,000	--	6,000
Dividends - $.23 per share	--	--	(2,075)	(2,075)
Balance at June 30, 1997	9,499	34,516	33,452	67,968
Net income	--	--	12,587	12,587
Purchase of treasury shares	(12)	(233)	--	(233)
Deferred stock compensation	--	209	--	209
Stock options exercised, net	136	676	--	676
Common shares issued for acquisition	12	200	--	200
Dividends - $.29 per share	--	--	(2,750)	(2,750)
Balance at June 30, 1998	9,635	35,368	43,289	78,657
Net income	--	--	**17,101**	**17,101**
Purchase of treasury shares	**(12)**	**(224)**	--	**(224)**
Deferred stock compensation	--	**334**	--	**334**
Stock options exercised, net	**124**	**1,285**	--	**1,285**
Common shares issued for acquisition	**405**	**8,825**	--	**8,825**
Dividends - $.33 per share	--	--	**(3,226)**	**(3,226)**
Balance at June 30, 1999	**10,152**	**$45,588**	**$57,164**	**$102,752**

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

LSI Industries Inc.
Consolidated Statements of Cash Flows

For the years ended June 30, 1999, 1998 and 1997
(In thousands)

	1999	1998	1997
Cash Flows From Operating Activities			
Net income	**$17,101**	$12,587	$ 8,872
Non-cash items included in income			
Depreciation and amortization	**4,813**	4,375	2,975
Deferred income taxes	**(84)**	(401)	(74)
Deferred compensation plan	**334**	209	346
Loss on disposition of fixed assets	**95**	108	75
Change (excluding effects of acquisitions) in			
Accounts receivable	**(4,075)**	(5,326)	(73)
Inventories	**2,273**	(1,569)	(564)
Refundable income taxes	**117**	--	188
Accounts payable	**(262)**	1,086	92
Accrued expenses and other	**1,646**	3,235	44
Change in liability for discontinued operations	**(70)**	(21)	(17)
Net cash flows from operating activities	**21,888**	14,283	11,864
Cash Flows From Investing Activities			
Purchase of property, plant, and equipment	**(4,455)**	(4,120)	(2,587)
Proceeds from sale of fixed assets	**14**	30	3
Acquisition of businesses, net of cash received	**(8,657)**	(712)	(15,639)
Net cash flows from investing activities	**(13,098)**	(4,802)	(18,223)
Cash Flows From Financing Activities			
Payment of long-term debt	**(2,082)**	(448)	(180)
Cash dividends paid	**(3,226)**	(2,750)	(2,075)
Exercise of stock options	**1,285**	676	321
Purchase of treasury shares	**(224)**	(233)	(233)
Net cash flows from financing activities	**(4,247)**	(2,755)	(2,167)
Increase (decrease) in cash and cash equivalents	**4,543**	(6,726)	(8,526)
Cash and cash equivalents at beginning of year	**9,338**	2,612	11,138
Cash and cash equivalents at end of year	**$13,881**	$ 9,338	$ 2,612

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The consolidated financial statements include the accounts of LSI Industries Inc. and its subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances have been eliminated.

Revenue recognition:

Revenue is recognized when the customer accepts title and the resultant risks and rewards of ownership. Generally this occurs upon shipment of goods or shortly thereafter. Amounts received from customers prior to the recognition of revenue are accounted for as customer pre-payments under accrued expenses.

Cash and cash equivalents:

The cash balance includes cash and cash equivalents which have original maturities of less than three months.

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out basis.

Property, plant and equipment and related depreciation:

Property, plant and equipment are stated at cost. Major additions and betterments are capitalized while maintenance and repairs are expensed. For financial reporting purposes, depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	31 - 40 years
Machinery and equipment	3 - 10 years

Goodwill:

The excess of cost over fair value of assets acquired ("goodwill") is amortized over periods ranging between twenty and forty years. As of June 30, 1999 and 1998, accumulated amortization of goodwill was $1,138,000 and $662,000, respectively. The Company periodically evaluates goodwill and other long-lived assets for permanent impairment based upon anticipated cash flows. To date no impairments have been recorded, nor are any anticipated.

Fair value of financial instruments:

The Company has financial instruments consisting primarily of cash and cash equivalents, revolving lines of credit, and long-term debt. The fair value of these financial instruments approximates carrying value because of their short-term maturity and variable, market-driven interest rates. The Company has no financial instruments with off-balance sheet risk.

Employee benefit plans:

The Company has a defined contribution retirement plan and a discretionary profit sharing plan covering substantially all of its employees, a second discretionary profit sharing plan covering employees of one subsidiary, and a non-qualified deferred compensation plan covering certain employees. The costs of employee benefit plans are charged to expense and funded annually. Total costs were $1,937,000 in 1999, $1,641,000 in 1998, and $1,399,000 in 1997.

Income taxes:

Deferred income taxes are provided on items reported in income in different periods for financial reporting and tax purposes.

Earnings per common share:

The computation of basic earnings per common share is based on the weighted average common shares outstanding for the period. The computation of diluted earnings per share includes common share equivalents. Common share equivalents include the dilutive effect of stock options, contingently issuable shares (for which issuance has been determined to be probable), and common shares to be issued under a deferred compensation plan, all of which totaled 205,000 shares in 1999, 231,000 shares in 1998, and 184,000 shares in 1997. See also Notes 4 and 7.

Recent pronouncements:

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 (SFAS No. 130), "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose financial statements. SFAS No. 130 is effective for financial statements for annual periods beginning after December 15, 1997 (fiscal 1999 for the Company). The financial statements of the Company were not impacted by adoption of this new standard.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 (SFAS No. 131), "Disclosures About Segments of an Enterprise and Related Information." This Statement requires disclosure related to each segment into which a company is organized by the chief operating decision maker for the purpose of making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure and any manner in which management disaggregates a company. The Company adopted SFAS No. 131 during fiscal 1999. This Statement, which requires expansion or modification to existing disclosures, had no impact on the Company's reported consolidated financial position, results of operations or cash flows. See Note 3 for business segment information.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and for Hedging Activities," which establishes standards for reporting and disclosure of derivative and hedging instruments. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. The Company will not be affected by this new standard because the Company has no derivative or hedging financial instruments.

Reclassification:

Certain reclassifications have been made to prior year amounts in order to be consistent with the presentation for the current year.

Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - DISCONTINUED OPERATIONS

In 1992 the Company sold the assets and operations of its U.K. subsidiary, Duramark, to its management and reported a loss from discontinued operations. Consideration received included cash and assumption of liabilities by management. The remaining liabilities which were not assumed by the management buy-out group of the discontinued operations, net of related taxes, are included in accrued expenses in the amounts of $491,000 and $562,000 as of June 30, 1999 and 1998, respectively.

NOTE 3 - BUSINESS SEGMENT INFORMATION

LSI operates in two business segments - the Image Group and the Commercial / Industrial Lighting Group. The Image Group manufactures and sells exterior and interior visual image elements (lighting, graphics, and menu board systems) for the petroleum / convenience store market and for multi-site retail operations. The Image Group includes the operations of LSI Petroleum Lighting, LSI Automotive, LSI Images, LSI Metal Fabrication, SGI Integrated Graphic Systems, Grady McCauley, and LSI Retail Graphics. The Commercial / Industrial Lighting Group manufactures and sells primarily outdoor, indoor, and landscape lighting for the commercial / industrial and multi-site retail markets. The Commercial / Industrial Lighting Group includes the operations of LSI Lighting Systems, Courtsider Lighting, Greenlee Lighting, LSI Marcole, and LSI MidWest Lighting. The Company's most significant market is the petroleum / convenience store market with approximately 43%, 49%, and 50% of net sales concentrated in this market in fiscal 1999, 1998, and 1997, respectively.

The following information is provided for the following periods:

(In thousands)	**1999**	1998	1997
Net sales:			
Image Group	**$159,277**	$138,886	$101,562
Commercial / Industrial Lighting Group	**68,512**	50,253	43,180
	$227,789	$189,139	$144,742
Operating income:			
Image Group	**$ 19,848**	$ 15,056	$ 9,055
Commercial / Industrial Lighting Group	**7,380**	5,138	4,654
	$ 27,228	$ 20,194	$ 13,709
Identifiable assets:			
Image Group	**$ 86,011**	$ 79,487	$ 74,284
Commercial / Industrial Lighting Group	**37,645**	20,730	17,734
	123,656	100,217	92,018
Corporate	**14,058**	10,099	3,171
	$137,714	$110,316	$ 95,189
Capital expenditures:			
Image Group	**$ 3,214**	$ 3,029	$ 1,902
Commercial / Industrial Lighting Group	**1,241**	1,091	685
	$ 4,455	$ 4,120	$ 2,587
Depreciation and amortization:			
Image Group	**$ 3,425**	$ 3,410	$ 2,085
Commercial / Industrial Lighting Group	**1,388**	965	890
	$ 4,813	$ 4,375	$ 2,975

Operating income of the business segments includes sales less all operating expenses including allocations of corporate expense, but excluding interest expense. Sales between business segments are immaterial.

Identifiable assets are those assets used by each segment in its operations, including allocations of shared assets. Corporate assets consist primarily of cash and cash equivalents, and refundable income taxes.

NOTE 4 - EARNINGS PER COMMON SHARE

The following table presents the amounts used to compute earnings per common share and the effect of dilutive potential common shares on net income and weighted average shares outstanding:

(In thousands, except per share)	**1999**	1998	1997
BASIC EARNINGS PER SHARE			
Net income	**$17,101**	$12,587	$8,872
Weighted average shares outstanding during the period, net of treasury shares	**9,883**	9,559	9,004
Basic earnings per share	**$ 1.73**	$ 1.32	$ .99
DILUTED EARNINGS PER SHARE			
Net income	**$17,101**	$12,587	$8,872
Weighted average shares outstanding during the period, net of treasury shares	**9,883**	9,559	9,004
Effect of dilutive securities (A):			
Impact of common shares to be issued under stock option plans, a deferred compensation plan, and contingently issuable shares	**205**	231	184
Weighted average shares outstanding (B)	**10,088**	9,790	9,188
Diluted earnings per share	**$ 1.70**	$ 1.29	$ .97

(A) Calculated using the "Treasury Stock" method as if dilutive securities were exercised and the funds were used to purchase common shares at the average market price during the period.

(B) Options to purchase 14,359 common shares, 4,390 common shares, and 15,385 common shares at

June 30, 1999, 1998, and 1997, respectively, were not included in the computation of diluted earnings per share because the exercise price was greater than the average fair market value of the common shares.

NOTE 5 - BALANCE SHEET DATA

The following information is provided as of June 30:

	1999	1998
(In thousands)		
Inventories:		
Raw materials	**$12,485**	$12,192
Work-in-process and finished goods	**12,776**	12,766
	$25,261	$24,958
Accrued Expenses:		
Compensation and benefits	**$ 8,659**	$ 6,405
Customer prepayments	**$ 1,662**	$ 3,945

NOTE 6 - REVOLVING LINES OF CREDIT, AND LONG-TERM DEBT

The Company has two unsecured revolving lines of credit with its banks in the aggregate amount of $32 million. As of June 30, 1999 the Company had borrowed $0.4 million against its revolving lines of credit and $31.6 million was available. A $12 million line of credit expires in the fourth quarter of fiscal 2000. The primary line of credit in the amount of $20 million is a three year committed credit facility expiring in fiscal 2002, with an annual renewal for the third year of commitment in the fourth quarter of fiscal 2000. Interest on the revolving lines of credit is charged based upon an increment over the LIBOR rate as periodically determined, or at the bank's base lending rate less an increment, at the Company's option. The increment over the LIBOR borrowing rate, as periodically determined, on the Company's primary line of credit fluctuates between 50 and 95 basis points and the commitment fee on the unused balance fluctuates between 15 and 25 basis points depending upon the ratio of indebtedness to earnings before interest, taxes, depreciation and amortization (EBITDA). The increment over the LIBOR borrowing rate, as periodically determined, on the Company's secondary line of credit fluctuates between 50 and 125 basis points depending upon the ratio of indebtedness to tangible net worth. The increment under the bank's base lending rate on both lines of credit fluctuates between 150 and 75 basis points depending upon the same performance ratios as under LIBOR borrowings. At June 30, 1999 the interest rate on the Company's outstanding borrowings on its revolving line of credit was 5.75%. Under terms of these agreements, the Company has agreed to a negative pledge of assets, to maintain minimum levels of profitability and net worth, and is subject to certain maximum levels of leverage. The Company incurred average borrowings under its revolving lines of credit of approximately $163,000 during fiscal year 1999. The average interest rate paid on these average outstanding borrowings was 6.6%.

The Company has an Industrial Revenue Development Bond (IRB) borrowing in the amount of $1,005,000 associated with its facility in Northern Kentucky. The term of this IRB is 15 years with semi-annual interest payments and annual principal payments for retirement of bond principal in increasing amounts over the term of the bonds through fiscal 2010. The IRB interest rate, which is reestablished semi-annually, is currently 4.5%, plus a 75 basis point letter of credit fee. The IRB is secured by the Company's Kentucky real estate, which has a net carrying value of $1.6 million.

The Company has equipment loans outstanding totaling $896,000 with a bank and a governmental agency. The loans are for terms of seven years through fiscal 2006 at a weighted average interest rate of 4.9% and are secured by specified equipment which has a net carrying value of $993,000. The Company makes monthly principal and interest payments and is committed to specified job growth in its facility in Northeast Ohio.

	1999	1998
(In thousands)		
Long-term debt:		
Industrial Revenue Development Bond at 5.2%	**$1,005**	$1,070
Equipment loans (average rate of 4.9%)	**896**	125
	1,901	1,195
Less current maturities	**196**	190
	$1,705	$1,005

Future maturities of long-term debt at June 30, 1999 are as follows (in thousands):

2000	2001	2002	2003	2004	2005 and after
$196	$202	$209	$211	$218	$865

NOTE 7 - SHAREHOLDERS' EQUITY

The Company has stock option plans which cover all of its full-time employees and has a plan covering all non-employee directors. The options granted pursuant to these plans are granted at fair market value at date of grant. Options granted to non-employee directors are immediately exercisable and options granted to employees generally become exercisable 25% per year (cumulative) beginning one year after the date of grant. The number of shares reserved for issuance is 890,126, of which 340,800 shares were available for future grant as of June 30, 1999. The plans allow for the grant of both incentive stock options and non-qualified stock options.

Statement of Financial Accounting Standards No. 123 (SFAS No. 123) requires, at a minimum, pro forma disclosures of expense for stock-based awards based on their fair values. The fair value of each option on the date of grant has been estimated using the Black-Scholes option pricing model. The following weighted average assumptions were used for grants in fiscal 1999, 1998, and 1997.

	1999	1998	1997
Dividend yield	**1.25%**	2%	2%
Expected volatility	**44%**	49%	43%
Risk-free interest rate	**4.45%-**	5.56%-	6.17%-
	6.24%	6.54%	6.28%
Expected life	**4-8 yrs.**	4-8 yrs.	4-8 yrs.

At June 30, 1999, the 56,900 options granted during fiscal 1999 to employees and non-employee directors have exercise prices ranging from $16.88 to $23.00, fair values ranging from $8.49 to $11.89 per option, and remaining contractual lives of four to nine years. The 154,400 options granted during fiscal 1998 to employees and non-employee directors had, as of June 30, 1998, exercise prices ranging from $14.00 to $19.00, fair values ranging from $6.16 to $9.44, and remaining contractual lives of four to nine years. The 6,900 options granted during fiscal 1997 to employees and non-employee directors had, as of June 30, 1997, exercise prices ranging from $11.25 to $13.66, fair values ranging from $4.91 to $5.26, and remaining contractual lives of four to nine years.

If the Company had adopted the expense recognition provisions of SFAS No. 123, net income and earnings per share for the years ended June 30, 1999, 1998, and 1997 would have been as follows:

(In thousands except earnings per share)	**1999**	1998	1997
Net income			
As reported	**$17,101**	$12,587	$8,872
Pro forma	**$16,629**	$12,225	$8,646
Earnings per share			
Basic			
As reported	**$ 1.73**	$ 1.32	$ .99
Pro forma	**$ 1.68**	$ 1.28	$ .96
Diluted			
As reported	**$ 1.70**	$ 1.29	$ .97
Pro forma	**$ 1.66**	$ 1.26	$ .95

Since SFAS No. 123 has not been applied to options granted prior to December 15, 1994, the resulting compensation cost shown above may not be representative of that expected in future years.

Information involving the stock option plans for the years ended June 30, 1999, 1998 and 1997 is shown in the table below:

	1999	
(Shares in thousands)	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**500**	**$12.70**
Granted	**57**	**19.82**
Terminated	**(8)**	**16.23**
Exercised	**(141)**	**10.33**
Outstanding at end of year	**408**	**$14.41**
Exercisable at end of year	**129**	**$12.92**

	1998	
(Shares in thousands)	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	518	$ 9.89
Granted	154	15.31
Terminated	(17)	13.86
Exercised	(155)	5.79
Outstanding at end of year	500	$12.70
Exercisable at end of year	128	$ 9.40

(Shares in thousands)	1997 Shares	1997 Weighted Average Exercise Price
Outstanding at beginning of year	619	$ 9.04
Granted	7	11.68
Terminated	(21)	12.95
Exercised	(87)	3.23
Outstanding at end of year	518	$ 9.89
Exercisable at end of year	180	$ 6.10

The Company implemented a non-qualified Deferred Compensation Plan in fiscal 1997. All Plan investments are in common shares of the Company. A total of 45,030 and 33,723 common shares were held in the Plan as of June 30, 1999 and 1998, respectively, and, accordingly, have been recorded as treasury shares.

On the dates indicated, the Company issued the following amounts of common shares as a portion of the purchase price for acquired businesses (see further discussion in Note 11):

Date	Number of Common Shares	Stated Value
6/30/97	475,700	$6,000,000
2/6/98	12,000	$ 200,000
1/1/99	357,143	$8,000,000
4/9/99	47,578	$ 825,000

On August 18, 1999, the Board of Directors declared a cash dividend of $0.1475 per share, comprised of a $0.0675 regular quarterly dividend and a $0.08 special year-end dividend, to be paid September 14, 1999 to shareholders of record on September 7, 1999. Annual cash dividend payments made during fiscal years 1999, 1998, and 1997 were $0.33, $0.29, and $0.23 per share, respectively.

NOTE 8 - LEASES

The Company leases certain of its facilities and equipment under operating lease arrangements. Rental expense was $1,174,000 in 1999, $1,094,000 in 1998, and $920,000 in 1997. Minimum annual rental commitments under non-cancelable operating leases are: $1,023,000 in 2000, $922,000 in 2001, $276,000 in 2002, and $1,000 in 2003.

NOTE 9 - INCOME TAXES

The following information is provided for the years ended June 30:

(In thousands)	**1999**	1998	1997
Provision (benefit) for income taxes:			
Current federal	**$ 9,466**	$7,143	$4,705
Current state and local	**903**	794	579
Deferred	**(84)**	(401)	(74)
	$10,285	$7,536	$5,210
Reconciliation to federal statutory rate:			
Federal statutory tax rate	**35.0%**	35.0%	34.3%
State and local taxes	**2.1**	2.6	2.7
Goodwill and other	**.5**	(.1)	--
Effective tax rate	**37.6%**	37.5%	37.0%

The components of deferred income tax assets and liabilities at June 30, 1999 and 1998 are as follows:

(In thousands)	**1999**	1998
Current assets (liabilities):		
Reserves against current assets	**$ 862**	$ 515
Prepaid expenses	**(410)**	(256)
Accrued expenses	**953**	842
Deferred income tax asset included in Other Current Assets on the Consolidated Balance Sheets	**$1,405**	$1,101
Noncurrent (assets) liabilities:		
Depreciation	**$1,853**	$1,573
Goodwill and acquisition costs	**(129)**	(144)
Deferred compensation	**(311)**	(198)
	$1,413	$1,231

NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

(In thousands)	**1999**	1998	1997
Cash payments:			
Interest	**$ 148**	$ 126	$ 109
Income taxes	**$10,034**	$7,184	$ 4,786
Non-cash investing and financing activities:			
Common shares issued for acquisitions	**$ 8,825**	$ 200	$ 6,000
Details of acquisitions:			
Working capital, less cash	**$ 2,417**	$ 59	$ 2,377
Property, plant & equipment	**5,241**	647	7,245
Other assets, net	**(947)**	(4)	232
Excess of purchase price paid over estimated net assets of acquired businesses	**10,771**	210	11,785
	17,482	912	21,639
less fair value of common shares issued	**(8,825)**	(200)	(6,000)
Cash paid for acquisitions	**$ 8,657**	$ 712	$15,639

NOTE 11 - ACQUISITIONS

On April 9, 1999, the Company acquired substantially all assets and assumed certain liabilities of Retail Graphics, Inc., a privately owned manufacturer of interior graphics primarily for the retail store market. For financial statement purposes the acquisition was accounted for as a purchase with operating results of LSI Retail Graphics first included in the Company's fourth quarter fiscal 1999 results in the Image Group. The total purchase price for the business, exclusive of acquisition costs, was $3,300,000, consisting of $2,475,000 in cash and 47,578 common shares of the Company (valued at $825,000). The acquisition provides for a contingent "earn-out" having a maximum value of $600,000, payable in similar percentages of cash and common shares, which could be earned during the first two years after acquisition providing certain minimum net sales and earnings thresholds are exceeded. An additional approximate $1 million was used immediately following the acquisition to reduce acquired liabilities. The purchase price exceeded the estimated fair value of net assets acquired by $3.2 million, which is recorded as goodwill and is being amortized over twenty years.

The Company completed the acquisition of Mid-West Chandelier Company and Fairfax Lighting, Inc., two privately owned manufacturers of interior fluorescent lighting fixtures, effective January 1, 1999. For financial statement purposes these acquisitions were accounted for as purchases with operating results of LSI MidWest Lighting first included in the Company's third quarter fiscal 1999 results in the Commercial / Industrial Lighting Group. The total purchase price for the two companies was $16,000,000, exclusive of acquisition costs, consisting of $8,000,000 in cash and 357,143 common shares of the Company (valued at $8,000,000). The acquisition provides for a contingent "earn-out" having a maximum value of $1 million in cash and $1 million in stock which could be earned during the three years subsequent to the merger providing certain minimum earnings thresholds are exceeded. An additional approximate $1 million was used immediately following the acquisition to reduce acquired liabilities. The purchase price exceeded the estimated fair value of net assets acquired by $7.7 million, which is recorded as goodwill and is being amortized over forty years. The purchase price allocations of both LSI Retail Graphics and LSI MidWest Lighting were based on preliminary estimates of fair value of assets acquired and may be revised at a later date pending the completion of other analysis.

On February 6, 1998, the Company acquired the outstanding common shares of Marcole, Inc., a privately owned manufacturer of electrical wiring harnesses primarily for the appliance industry. For financial statement purposes the acquisition was accounted for as a purchase with operating results of Marcole first included in the Company's fiscal 1998 third quarter financial statements in the Commercial / Industrial Lighting Group. The purchase price was 12,000 common shares of the Company (valued at $200,000) plus $712,000 in cash. The purchase price exceeded the estimated fair value of net assets acquired by $210,000, which is recorded as goodwill and is being amortized over forty years.

On June 30, 1997, the Company acquired substantially all assets and assumed certain liabilities of Grady McCauley, Incorporated, a privately owned manufacturer of custom interior graphics primarily for the retail market. For financial statement purposes the acquisition was accounted for as a purchase with operating results of Grady McCauley first included in the Company's fiscal 1998 financial statements in the Image Group. The purchase price was 475,700 common shares of the Company (valued at $6,000,000) plus $15.2 million in cash, exclusive of acquisition costs. The purchase price exceeded the estimated fair value of net assets acquired by $11.8 million, which is recorded as goodwill and is being amortized over forty years.

The following unaudited pro forma consolidated results give effect to the above acquisition of Grady McCauley, Incorporated as though it had been acquired at the beginning of the fiscal year in which it was acquired. Neither the acquisition price of any of the four companies acquired in fiscal years 1998 and 1999 nor their individual operating results are material to the Company. Therefore these four companies are not included in the pro forma results presented below. The pro forma information has been presented for comparative purposes only and does not purport to be indicative of the results of operations which actually would have resulted had the acquisition been made at the beginning of the earliest period presented, or of results which may occur in the future.

(In thousands except earnings per share; unaudited)	1997
Net sales	$159,082
Income from continuing operations	$ 8,901
Net income	$ 8,901
Earnings per share	
Basic	
Continuing operations	$ .94
Total	$ .94
Diluted	
Continuing operations	$ .92
Total	$ .92

NOTE 12 - SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

	Quarter Ended				Fiscal
	Sept. 30	Dec. 31	March 31	June 30	Year
1999					
Net sales	$53,414	$56,059	$53,408	$64,908	$227,789
Gross profit	18,234	19,759	17,009	22,106	77,108
Net income	3,912	4,668	3,083	5,438	17,101
Earnings per share					
Basic	$ .41	$ .48	$ .31	$ .54	$ 1.73(a)
Diluted	$ .40	$ .47	$ .30	$ .53	$ 1.70
Range of share prices					
High	$ 22.00	$ 23.00	$ 22.75	$ 24.38	$ 24.38
Low	$ 17.25	$ 15.75	$ 15.88	$ 17.25	$ 15.75
1998					
Net sales	$43,957	$47,754	$43,386	$54,042	$189,139
Gross profit	15,519	17,120	13,717	18,124	64,480
Net income	2,975	3,680	1,917	4,015	12,587
Earnings per share					
Basic	$ .31	$ .39	$ .20	$ .42	$ 1.32
Diluted	$ .31	$ .38	$ .20	$ .41	$ 1.29(a)
Range of share prices					
High	$ 17.38	$ 19.38	$ 22.75	$ 24.00	$ 24.00
Low	$ 13.50	$ 15.75	$ 16.75	$ 18.38	$ 13.50

(a) The total of the earnings per share for each of the four quarters does not equal the total earnings per share for the full year because the calculations are based on the average shares outstanding during each of the individual periods.

At August 21, 1999, there were 395 shareholders of record. The Company believes this represents approximately 3,800 beneficial shareholders.

Report of Independent Public Accountants

To the Board of Directors of LSI Industries Inc.:

We have audited the accompanying consolidated balance sheets of LSI Industries Inc. (an Ohio corporation) and subsidiaries as of June 30, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LSI Industries Inc. and subsidiaries as of June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1999 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Arthur Andersen LLP

Cincinnati, Ohio
August 13, 1999

Report of Management

The Management of LSI Industries Inc. is responsible for the preparation and accuracy of the financial statements and other information included in this report. The financial statements have been prepared in accordance with generally accepted accounting principles using, where appropriate, management's best estimates and judgment.

In meeting its responsibility for the reliability of the financial statements, the Company depends upon its system of internal accounting controls. The system is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly authorized and recorded. The system is supported by policies and guidelines, and by careful selection and training of financial management personnel.

The Company's independent public accountants, Arthur Andersen LLP, are retained to audit the LSI Industries Inc. consolidated financial statements. Their audit is conducted in accordance with generally accepted auditing standards and provides an independent assessment of the presentation of the Company's financial statements.

The Board of Directors meets its responsibility for overview of the Company's financial statements through its Audit Committee which is composed entirely of Directors who are not employees of the Company. The Audit Committee meets periodically with Management and with the independent public accountants to review and assess the activities of each in meeting their respective responsibilities. The independent public accountants have full access to the Audit Committee to discuss the results of their audit work, the adequacy of internal accounting controls, and the quality of financial reporting.

Robert J. Ready

Robert J. Ready
President and Chief Executive Officer

Ronald S. Stowell

Ronald S. Stowell
Vice President, Chief Financial Officer, and Treasurer

LSI Industries Inc.
Selected Financial Data

The following data has been selected from the Consolidated Financial Statements of the Company for the periods and dates indicated:

(In thousands except per share data)

Income Statement Data:

	1999	1998	1997	1996	1995
Net sales	**$227,789**	$189,139	$144,742	$152,733	$119,927
Cost of products sold	**150,681**	124,659	96,200	104,221	80,156
Operating expenses	**49,880**	44,286	34,833	35,101	29,509
Operating income	**27,228**	20,194	13,709	13,411	10,262
Interest (income)	**(477)**	(143)	(528)	(154)	(39)
Interest expense	**224**	106	41	498	498
Other expense	**95**	108	114	62	160
Income from continuing operations before income taxes	**27,386**	20,123	14,082	13,005	9,643
Income taxes	**10,285**	7,536	5,210	4,735	3,469
Income from continuing operations	**$ 17,101**	$ 12,587	$ 8,872	$ 8,270	$ 6,174
Net income	**$ 17,101**	$ 12,587	$ 8,872	$ 6,770	$ 6,174
Earnings per share from continuing operations					
Basic	**$ 1.73**	$ 1.32	$ .99	$ 1.02	$ .82
Diluted	**$ 1.70**	$ 1.29	$ .97	$ .98	$ .79
Cash dividends paid per share	**$ .33**	$ .29	$ .23	$ .21	$ .15
Weighted average common shares					
Basic	**9,883**	9,559	9,004	8,096	7,515
Diluted	**10,088**	9,790	9,188	8,456	7,802

Balance Sheet Data:

(At June 30)	**1999**	1998	1997	1996	1995
Working capital	**$ 49,615**	$ 40,237	$ 30,192	$ 36,146	$ 17,788
Total assets	**137,714**	110,316	95,189	79,496	62,553
Long-term debt, including current maturities	**1,901**	1,195	1,382	1,562	8,099
Shareholders' equity	**102,752**	78,657	67,968	54,737	29,453

Corporate Information

Board of Directors

Robert J. Ready
President, Chief Executive Officer & Chairman of the Board
Chairman of Executive Committee

James P. Sferra
Secretary - LSI Industries Inc.
Executive Vice President - Manufacturing
Member of Executive Committee

Michael J. Burke
Managing Partner - Keating, Muething & Klekamp, P.L.L., Cincinnati, Ohio
Assistant Secretary - LSI Industries Inc.
Chairman of Compensation Committee
Member of Audit Committee

Allen L. Davis
Retired President & Chief Executive Officer -
Provident Financial Group, Inc. &
The Provident Bank, Cincinnati, Ohio
Chairman of Audit Committee
Member of Compensation Committee

Wilfred T. O'Gara
President and Chief Operating Officer – The Kroll-O'Gara Company, Cincinnati, Ohio
Member of Audit Committee
Member of Compensation Committee

John N. Taylor, Jr.
Chairman - Kurz-Kasch, Inc., Dayton, Ohio
Member of Audit Committee
Member of Compensation Committee

Corporate Officers

Robert J. Ready
President and Chief Executive Officer
Michael J. Burke,
Assistant Secretary
James P. Sferra, Secretary
Executive Vice President - Manufacturing
Ronald S. Stowell
Vice President, Chief Financial Officer, and Treasurer

Independent Public Accountants

Arthur Andersen LLP
Cincinnati, Ohio

Legal Counsel

Keating, Muething & Klekamp, P.L.L.
Cincinnati, Ohio

Transfer Agent and Registrar

The Provident Bank
One East Fourth Street
Cincinnati, Ohio 45202

Annual Meeting

The annual shareholders' meeting of LSI Industries Inc. will be held Thursday, November 11, 1999 at 10:00 a.m. at the Company's corporate offices located at 10000 Alliance Road, Cincinnati, Ohio.

Dividend Reinvestment Plan

The LSI Industries Automatic Dividend Reinvestment and Stock Purchase Plan offers registered shareholders and employees an opportunity to purchase additional shares through automatic dividend reinvestment and/or optional cash investments. For additional information, contact:

Provident Bank
Corporate Trust Operations
309 Vine Street, 669D
Cincinnati, Ohio 45202
(513) 763-8113 or (800) 262-9801 ext.-18113
E-mail: corporatetrust@provident-bank.com

Form 10-K

Shareholders may obtain the 1999 Annual Report on Form 10-K as filed with the Securities and Exchange Commission without charge by writing to:

Investor Relations Manager
LSI Industries Inc.
10000 Alliance Road
Cincinnati, Ohio 45242

Stock Exchange Listing

LSI Industries Inc. Common Shares are traded on The Nasdaq Stock Market under the symbol LYTS.

Internet Site

The LSI Industries site on the Internet, *www.lsi-industries.com*, contains the Company's 10-K and 10-Q filings, proxy statements, annual reports, news releases, stock prices, and a variety of other information about LSI Industries and its products.

INDUSTRIES™

LSI Industries Inc.
10000 Alliance Road
Cincinnati, Ohio 45242
(513) 793-3200 • FAX (513) 791-0813
www.lsi-industries.com