AGS 1984

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Company Profile:

AGS Computers, Inc. provides automation solutions to the telecommunications, finance and computer industries. It delivers these solutions by combining the important elements of software and distribution. AGS is a leader in each of the market niches in which it operates —commercial systems development, software products and microcomputer distribution. Its shares are listed on the New York Stock Exchange under the symbol AGS.

Year in Review

AGS:

- advances to record sales and income levels
- strengthens corporate management with the addition of several key executives
- acquires Software Design Associates and Systems Strategies
- lists on the New York Stock Exchange
- extends market lead in systems development and microcomputer distribution
- launches Smart-C, an on-screen software tool for enhancing the power and usability of the UNIX system
- discontinues software-only distribution operations

Contents

Lawrence J. Schoenberg
Chairman and Chief Executive
AGS Computers, Inc.

Joseph Abrams
President
AGS Computers, Inc.

"We are committed to being the number one company in delivering automation solutions to the finance, telecommunications and computer industries. Our technical skill, our market position and our management talents give us a leveraged ability to provide the highest value-added solutions at the lowest possible cost."

"In systems development, client need drives technological change. A thorough knowledge of our clients' needs, and of their industries, is thus the first condition of our service. This expert knowledge keeps us at the leading edge of the systems cycle: identifying new needs, developing new systems and applications, designing new technology. . ."

Letter to Shareholders

In 1984, AGS achieved increases in revenues and net income for the 18th consecutive year. Overall, and in each of our three main businesses—systems development, software products and microcomputer distribution—1984 was a successful year for your Company.

The graphs (on pages 2 & 3) highlight our performance record over the past five years. Our return on investment remains above industry averages, while our total revenues and earnings continue to grow in a consistent pattern.

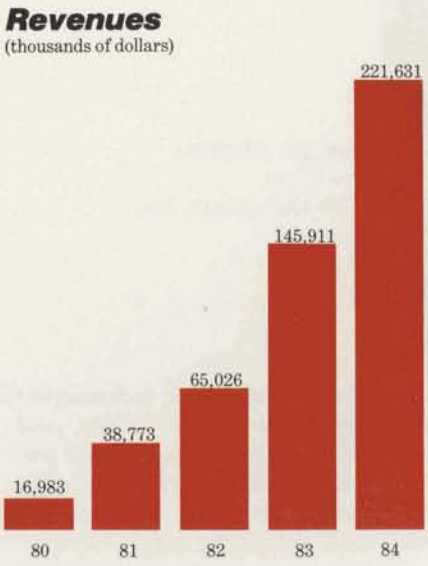
Looking to the future, we are confident that our exceptional record of growth can be sustained. Our outlook is based on the three factors which have contributed to our success to date:

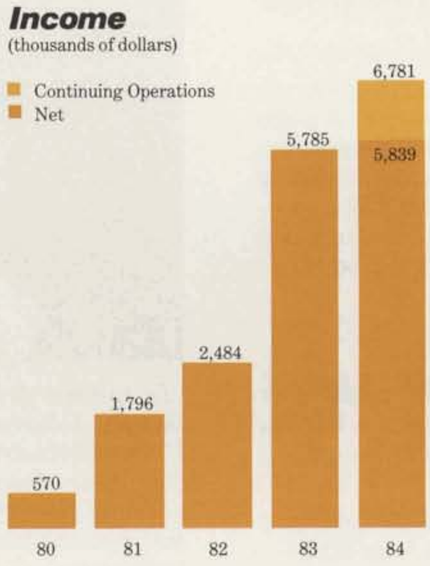
- the high percentage of our volume which comes from repeat business, even as our client base expands
- the fundamental strength of both the industries and the companies we serve
- economies and increased marketing opportunities resulting from the continuing integration and coordination of our major business lines.

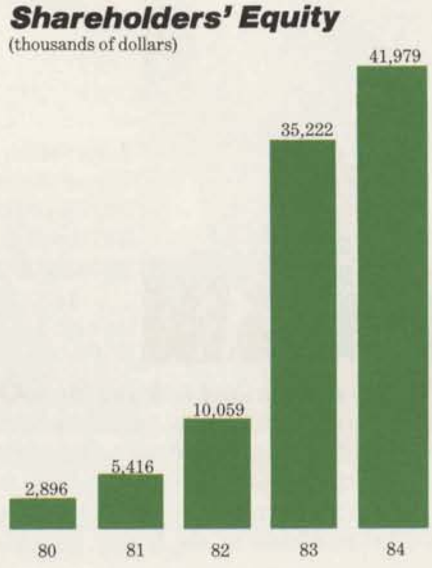
These factors combine to form what we think is a significant strategic advantage for our Company: our committed involvement in multiple areas of the computer and computer services businesses enhances our ability to judge where the computer industry as a whole is going.

This ability to anticipate product and technological changes in the computer industry will help us reinforce our leadership positions in the systems development and software products areas. Moreover, this knowledge has a fundamental application in our distribution business: it will help us recognize basic changes in microcomputer systems and related products and to select our product lines accordingly.

We will further improve our competitive position in the microcomputer distribution market by effectively joining our computer industry-related software expertise and our established hardware distribution capabili-







ty. While many distributors have been hurt by the increasingly intense competition among computer manufacturers, AGS' Microamerica remains the largest distributor of microcomputers and related peripheral products in the United States. Microamerica has maintained its lead in sales and profit margins by carefully selecting its product lines, and by exploiting the value-added opportunity in marketing related peripheral devices and software products.

Our initial entry into the distribution business was forward-looking. Against a background of ever-increasing sales costs in the mainframe software business, we decided that a related distribution capability should be developed, for two primary reasons:

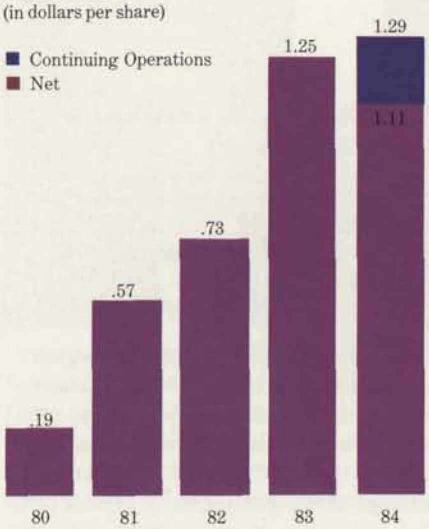
- to enhance our competitive position should the markets begin to favor combined hardware/software solutions over software-only solutions, and
- drawing on our microcomputer distribution expertise, to develop a re-seller market as an alternative distribution channel for our software products.

In short, our entry into the distribution business has been timely and successful in both financial and strategic terms. The necessity or desirability of further blending our major business segments will of course depend to a great extent on market developments. In any event, we believe that our overall corporate development strategy takes into account likely developments in the computer and computer services industries, and will effectively guide us in entering new markets and in detecting new business opportunities in our established markets.

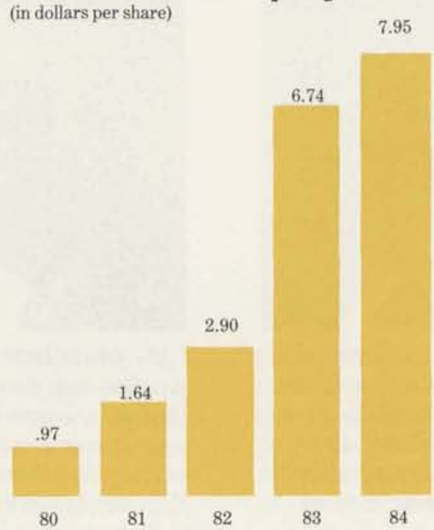
At AGS, our business segments share a further attribute which may be unique to our Company. The core businesses, like the original AGS Computers founded by us in 1967, were begun, and continue to be operated, by successful entrepreneurs. While our acquisitions strategy has focused on finding profitable and promising situations, we have also been mindful of the fact that when we acquire a company, we are mainly acquiring technical and managerial talent.

We believe that opportunities in the computer services and software products businesses are limited only by the ability to attract and to hold highly competent technical and managerial personnel. We know of no

Income
(in dollars per share)



Shareholders' Equity
(in dollars per share)



comparable company which can match our record in attracting and retaining entrepreneurs.

Elsewhere in this Annual Report you will find brief profiles of some of our entrepreneurs, noting when they started their companies, when they came into the AGS group, and a selection of their views of their respective markets and businesses.

We are proud of our achievement in creating a corporate environment within which our entrepreneurs can thrive.

We have the management and the resources to reach our goal of $1 billion in revenues in 1990, and our aim is to pursue this goal while retaining our high return on equity and our superior operating margins. Considering that our growth rate over the past ten years has been 50%, and 70% over the most recent five years, we believe this to be a reasonable and achievable goal.

For 1985, we expect to exceed the average growth rate of the computer services industry, with the largest part of our growth coming as the year progresses.

Our awareness of the critical importance of people in the services business will continue to guide us in our forward acquisitions strategy, in our overall corporate development efforts and in our day to day operations.

All 2,000 AGS people can be proud of their accomplishment, and secure in the confidence that ours is a bright and promising future.

We thank you for your continuing support.

Yours sincerely,

Lawrence J. Schoenberg
Chairman and Chief Executive Officer

Joseph Abrams
President and Chief Operating Officer

February, 1985

Anthony F. Stepanski
Executive Vice President
and Director
AGS Computers, Inc.
Joined AGS: 1968

"Systems development can be viewed as a building process, while software can be viewed as either a tool in the building process, or as an actual end result of the process. This dual nature of software—as a tool and as a product—applies particularly to our systems development work within the computer and communications industries."

Richard W. Thatcher, Jr.
Vice President,
Corporate Planning
AGS Computers, Inc.
Founder:
Atlantic Management, 1967
Acquired by AGS: 1982

"My job is first to help the heads of the operating companies—my former entrepreneurial peers—shape their thoughts; second, to co-ordinate these thoughts, say, on services or product marketing strategies, into a coherent whole; and third, to put all of that together into a clear, flexible and easy to manage strategic plan."

Business Description

AGS was founded in 1967 as a professional services company specializing in the design and implementation of data processing systems. Today, AGS is capable of providing fully integrated automation solutions, combining (1) high level consulting and systems development services and (2) state of the art software products with (3) high performance hardware available through an efficient distribution capability. AGS is an established leader in each of these three business lines.

Yet the key to understanding AGS is the interplay of these three basic business lines: systems development, software products and distribution. By tracing the interplay of these services within the major industries AGS serves, a picture emerges of the three lines of business converging to a single objective: providing total automated solutions to specific data processing, information management and factory automation problems.

AGS in the Communications and Computer Industries
AGS has been a leading supplier of systems development services to the telecommunications industry for nearly two decades.

The deregulation of the telecommunications industry has opened up new business opportunities for AGS, while enhancing its long-standing relationship with the AT&T companies. AGS' work for Bell Laboratories provides a useful illustration of the interplay of the systems development and software products businesses.

Originally retained to provide high level consulting on information systems, AGS has become a major participant in Bell Labs' development of a variety of new products, including advanced switching systems and office automation systems, among others.

This continuing systems development work for Bell Labs paved the way for AGS to participate in enhancing the AT&T microcomputer operating system, UNIX. In turn, AGS' involvement in the UNIX project resulted in the development and introduction of a unique software product: the AGS Smart-C.

Smart-C is an on-screen tool designed to enhance usability of the UNIX system, both in working with the high-level programming language "C", and in developing new applications. The increasing acceptance of UNIX as a standard operating system has enabled AGS to reinforce its position as the dominant provider of UNIX-based systems development, consulting and training services.

Jay N. Goldberg
Founder and President
Software Design Associates
Founded: 1968
Acquired by AGS: 1984

"In systems development, especially as it applies to financial services, every solution is a customized solution, tailored to meet an individual need or solve an individual problem. This personal quality pervades our systems development business, both in terms of the uniqueness of each client's need, and in terms of the personal service which goes into each and every one of the projects we undertake."

Gordon B. Hoffstein
Founder and President
Microamerica
Founded: 1979
Acquired by AGS: 1983

"We don't try to create new markets; rather we try to react quickly and efficiently to new market developments. Microamerica would rather sell a few leading products knowledgeably, than sell hundreds or dozens blindly. Our thorough knowledge of our products is one of the critical value-added factors in our business."

AT&T's entry into the computer business provided AGS with an ideal opportunity to leverage its technological expertise in telecommunications into new applications within the computer industry. As the computer and communications industries continue to converge, there will be a corresponding increase of opportunities for AGS. Indeed, AGS is committed to developing its knowledge of the computing and communications industries into a special expertise which bridges these industries, and gives AGS the lead in providing 'value-added' systems development services.

AGS counts among its clients major computer manufacturers IBM, AT&T, Digital Equipment, NEC, Siemens and Wang. Again, the emphasis is on leveraging AGS' technological expertise into profitable systems development relationships with end-users of these and other computer systems.

Its distribution capability is a key component in AGS' overall service to the computer industry. Microamerica, AGS' distribution company, offers computer manufacturers a knowledgeable outlet to 20,000 computer retailers, value-added resellers, OEMs and systems integrators, among others. Reciprocally, these growing relationships with computer manufacturers could provide AGS with additional channels for the distribution of its proprietary software products and its systems development services.

This reciprocity of interest between AGS and computer manufacturers is well established. With Microamerica specifically, this mutual interest has several added dimensions.

First is Microamerica's commitment to providing knowledgeable service to its 20,000 customers. While 80% of all computers sold in 1984 were sold direct by the manufacturer, the inverse was true for sales of peripheral devices like printers, modems, external disk drives and related products. Accordingly, Microamerica's service is based not simply on an understanding of the features and capabilities of various computers, but also on an understanding of the total requirements of a computing system.

Microamerica has been a pioneer in offering training and educational services to client dealers. Its MicroSchool, started in June of 1984, is a continuing dealer training curriculum offered at various locations throughout the country. Individual courses are given by representatives from the manufacturers whose products Microamerica distributes, by leading industry experts and by Microamerica's own experienced marketing and technical staff.

H. Allen Luray
Co-founder and
Chief Executive Officer
DISC
Founded: 1969
Acquired by AGS: 1983

"In an industry heavily dependent on its people, we are proud to say that we have had a zero attrition rate over the past six years."

Albert M. Harris
Co-founder and President
DISC
Founded: 1969
Acquired by AGS: 1983

"We are particularly excited by the spread of interest among corporations and municipalities in handling some of their own cash management and banking transactions in-house. This will appreciably broaden the market for several of our software products, and at the same time open up new product development opportunities."

Another Microamerica service innovation is the Technical Information and Product Support (TIPS) program. TIPS gives Microamerica customers access to a network of highly skilled technicians trained in the latest computer technology.

This service orientation has helped to make Microamerica, according to Computer Retail News, the number one distributor in America in terms of revenues, regions covered, number of dealers served and variety of products handled.

In other areas of the computer and communications industry, AGS' total automated solutions strategy is product rather than service-led. A case in point is AGS company Systems Strategies, which develops and markets IBM emulation software and other communications software products. These products allow large non-IBM mini and microcomputer systems to communicate transparently with IBM mainframe computers or networks. These products also have a portability feature which makes them usable in both UNIX and non-UNIX operating systems.

In this case, AGS software products serve as the gate to related services, both in developing software systems for the computer manufacturers, and in developing applications for end-users of the computer systems.

AGS in the Financial Services Industries
Like the telecommunications and computer industries, the financial services industry is growing rapidly, creating new opportunities for AGS to apply its systems development and software products expertise. In fact, the banking, insurance and securities industries currently stand out as the heaviest users of information processing systems. AGS' total solutions approach in this sector encompasses both service and product-led strategies.

AGS is a leading provider of systems development services to major financial institutions like Merrill Lynch, Citibank, Manufacturers Hanover, E.F. Hutton, Chemical Bank and Guardian Life. Special expertise in building large-scale, high-transaction information processing systems, combined with responsiveness to changing client needs, has made AGS a valued resource to companies in the banking, insurance and securities industries.

Joseph F. Herbets
Founder and President
AGS Management Systems
Founded: 1969
Acquired by AGS: 1982

"We are focused on developing specialty software products for project management and control and for managing the systems development process. What we are seeing in this market niche is a trend toward combined delivery of products and related services. When it comes to delivering these ongoing services, the resources available from AGS give us a competitive edge."

Stanley Adelman
Founder and President
Systems Strategies
Founded: 1976
Acquired by AGS: 1984

"One of the particular advantages of our business is the ability to do forward marketing, that is, to involve our key customers in the actual building of new software products. A thorough knowledge of our customers' needs spares us the cost of trying to move unwanted, unneeded products into the marketplace."

This ongoing systems-led work for major finanical institutions opens up new opportunities for the marketing of AGS software products. DISC, an AGS subsidiary, develops and markets proprietary software products with specialized financial application. Its products are banking industry standards in the areas of cash management and automated reporting.

DISC's client list totals nearly 300 financial institutions, including two-thirds of the top 100 banks in the United States. These product-led relationships provide AGS with a wider, informed base of prospective systems development clients in the financial services industries.

AGS Services and Software in Cross-Industry Applications

AGS Management Systems is a leader in the development of software products for project management and control, and for systems development methodologies (SDM). These specialized products have a wide range of industry and public sector applications, including the management of engineering projects, large scale research projects and computer system development projects.

AGS' PAC MICRO product, designed for use on the IBM PC, is a simple and effective orientation program for newcomers to project management and control systems.

The more sophisticated PAC III is an automated project management system designed for mini and mainframe computers. This system covers every phase of the project management process.

The AGS SDM products are tools for professionals involved in the systems development process. Systems planners, analysts and programmers, along with project managers and others, use these specialized software products to meet their individual systems design and applications needs.

The interplay of systems development services and software products in these two areas is compelling: both the project management and control products, and the SDM products carry continuing service relationships as a vital add-on to the software product sale. As demand for an integrated systems and software product capability increases, AGS will be well placed to penetrate new markets and expand its customer base.

Management's Discussion and Analysis of Results of Operations and Financial Condition

The following table sets forth for the periods indicated the percentages which certain income and expense items bear to revenues and the percentage increase of such items as compared to the prior year:

	Percentage of Revenues			Period to Period Increase	
	For the years ended Dec. 31,				
	1984	1983	1982	1984 compared to 1983	1983 compared to 1982
Revenues:					
Services and software packages	43.8%	36.9%	57.2%	80.7%	44.5%
Product sales	56.0	62.7	42.3	35.6	232.9
Interest income	.2	.4	.5	36.0	88.8
Total Revenues	100.0	100.0	100.0	51.9	124.4
Cost of services and software packages	29.1	21.9	37.5	101.6	31.1
Cost of product sales	48.0	53.5	35.1	36.4	241.4
Total costs	77.1	75.4	72.6	55.4	132.9
Selling, general and administrative expenses	15.6	16.5	18.8	43.3	97.5
Interest expense	1.3	.7	1.2	188.1	29.0
Total costs and expenses	94.0	92.6	92.6	54.2	124.4
Income before income taxes	6.0	7.4	7.4	23.5	124.5
Income taxes	3.0	3.4	3.6	30.6	115.5
Net income from continuing operations	3.0	4.0	3.8	17.2	132.9
Net loss from discontinued operation	.4	—	—	—	—
Net Income	2.6%	4.0%	3.8%	.9%	132.9%

Revenues
The Company's revenues from services and software packages increased 81% (49% from acquisitions) and 45% in the last two years respectively. The nonacquisition increase came mainly from expansion of existing operations, and to a lesser extent, from price increases. Microcomputer sales showed very significant growth over the last three years. The growth rate was greater in 1983 due to an acquisition. The internal growth came from a broad-based industry-wide demand and the expansion of the geographic territory covered.

Gross Profit
The gross profit margin in services and software has been 34%, 41% and 35% over the last three years. The differences are almost entirely due to the mix of these businesses. Software package sales represented a higher percentage of revenues in 1983 and have a significantly higher margin. The gross profit margin in the Company's major service area, computer system development, have improved throughout the three year period. The microcomputer distribution business gross profit margin fell from 16.9% in 1982 to 14.8% in 1983 and to 14.3% in 1984. The reduction was caused by increased competition, changes in product mix and some of the costs associated with merging our two microcomputer profit centers.

Selling, General and Administrative Expenses
These costs have decreased at a continuous rate since the 1980 figure of 29.1%. The percentage is now 15.6% compared to 18.8% in 1982. This has been primarily achieved from the economies of size, especially in the area of corporate expenses. In addition, the microcomputer distribution business has a lower selling cost.

Income taxes
The income tax rate has fluctuated between 47 and 49% over the last three years. The rate was favorably impacted in 1983 by the research and development and investment tax credits offset by the overall increase in state tax rates.

Net Income
Consolidated net income margins reflect the varying weight of software products, system development and distribution in the revenue mix as well as several financial corporate costs such as interest which are offsets against acquisition profits and the amortization of the acquisition related "goodwill." Management believes that the amortization of these assets without recognition of new assets which replace these values understates the Company's assets.

Loss from Discontinued Operations
The Company entered, in late 1983, the software-only distribution business because of the possible connections between its hardware distribution business and its software development business. The business has had continued losses due to pricing pressures. The factors necessary for success are different from those in our other business areas and the conceptual links do not appear to exist. In short, the Company has chosen to pursue profits rather than concepts.

Inflation
The Company's business has not been impacted by inflation. It has been able to adjust its rates for services in light of inflationary pressures. Due to the rapid inventory turnover of its products, inflation has not been a factor in the product sales segment.

Liquidity and Capital Resources
The Company has sufficient financial resources to meet its anticipated requirements. Its October, 1984 bank agreement provides for a $27,750,000 credit facility. The major use of this credit is to finance acquisitions. $11 million of this credit is available for use as of December 31, 1984. Working capital requirements for the Company's internal growth and operations have been satisfied principally from funds generated from operations, and it is anticipated that such funds will continue to be sufficient for the Company's internal needs. Cash generated from operations exceeded net income because the income tax accrual is significantly greater than the actual tax payments. This difference is created primarily by the use of the cash basis for tax reporting.

During the last three years the figures were:

	1984	1983	1982
Tax Accrued	$6,614,000	$5,065,000	$2,350,000
Tax Paid	$2,014,000	$3,221,000	$1,332,000

Acquisitions
The Company acquired two companies in each of the years 1982, 1983 and 1984.

	REVENUES		
	1984	1983	1982
Prior year base	$195,320,000	$ 86,091,000	$58,230,000
1982 acquisitions			6,796,000
1983 acquisitions		59,820,000	
1984 acquisitions	26,311,000		
Total Revenues	$221,631,000	$145,911,000	$65,026,000

Consolidated Balance Sheets

December 31	1984	1983
Assets		
Current assets		
Cash and temporary investments	**$ 2,797,000**	$ 4,313,000
Accounts receivable-trade, less allowances of $720,000 and $1,120,000	**26,722,000**	21,612,000
Inventories	**14,759,000**	13,648,000
Prepaid expenses and other assets	**3,721,000**	2,991,000
Total current assets	**47,999,000**	42,564,000
Fixed assets	**3,990,000**	3,259,000
Software products	**6,100,000**	5,462,000
Costs in excess of net assets of subsidiaries acquired	**28,631,000**	16,376,000
Other assets	**6,539,000**	1,192,000
	$93,259,000	$68,853,000
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	**$ 1,305,000**	$10,630,000
Current maturities of long-term debt	**3,066,000**	194,000
Accounts payable and accrued liabilities	**18,812,000**	14,454,000
Deferred income	**2,375,000**	1,655,000
Income taxes payable	**203,000**	313,000
Deferred income taxes payable	**8,544,000**	5,254,000
Total current liabilities	**34,305,000**	32,500,000
Deferred income taxes payable	**1,716,000**	208,000
Long-term debt, less current maturities	**14,822,000**	221,000
Other liabilities	**399,000**	702,000
Total liabilities	**51,242,000**	33,631,000
Stockholders' equity:		
Common stock, par value $.10 per share: authorized 25,000,000 shares in 1984 and 8,000,000 in 1983; issued and outstanding 5,283,000 and 5,222,000	**528,000**	522,000
Paid-in capital	**23,018,000**	22,068,000
Retained earnings	**18,471,000**	12,632,000
Total stockholders' equity	**42,017,000**	35,222,000
	$93,259,000	$68,853,000

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

For the years ended December 31,	1984	1983	1982
Revenues:			
Services and software packages	**$ 97,177,000**	$ 53,773,000	$37,203,000
Product sales	**124,055,000**	91,515,000	27,493,000
Interest income	**399,000**	623,000	330,000
	221,631,000	145,911,000	65,026,000
Costs and expenses			
Cost of services and software packages	**64,382,000**	31,937,000	24,365,000
Cost of product sales	**106,429,000**	78,008,000	22,845,000
	170,811,000	109,945,000	47,210,000
Selling, general and administrative expenses	**34,593,000**	24,133,000	12,220,000
Interest expense	**2,832,000**	983,000	762,000
	208,236,000	135,061,000	60,192,000
Income before income taxes	**13,395,000**	10,850,000	4,834,000
Income taxes	**6,614,000**	5,065,000	2,350,000
Income from continuing operations	**6,781,000**	5,785,000	2,484,000
Discontinued operations:			
Loss from discontinued operations (less applicable income taxes of $417,000)	**(483,000)**		
Loss on disposal, including provision of $150,000 for operating losses during phase out period (less applicable income taxes of $391,000)	**(459,000)**		
Loss from discontinued operations	**(942,000)**		
Net income	**$ 5,839,000**	$ 5,785,000	$ 2,484,000
Income per share from continuing operations:			
Primary	**$1.29**	$1.25	$.73
Fully diluted	**$1.29**	$1.20	$.73
(Loss) per share from discontinued operations:			
Primary	**($.18)**		
Net income per share:			
Primary	**$1.11**	$1.25	$.73
Fully diluted	**$1.11**	$1.20	$.73
Weighted average shares outstanding:			
Primary	**5,270,000**	4,609,000	3,419,000
Fully diluted	**5,270,000**	5,072,000	3,419,000

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Cash Position

For the years ended December 31,	1984	1983*	1982*
Sources of cash:			
From continuing operations:			
Income	**$ 6,781,000**	$ 5,785,000	$ 2,484,000
Equity in losses of affiliated companies	**365,000**		
Depreciation and amortization	**1,912,000**	1,322,000	693,000
Changes in balance sheet accounts:			
Income taxes payable—net	**4,731,000**	1,844,000	1,018,000
Accounts receivable	**(1,509,000)**	(7,367,000)	(2,225,000)
Prepaid expenses	**(167,000)**	(881,000)	(253,000)
Accounts payable and accrued expenses	**3,201,000**	1,886,000	278,000
Deferred income	**720,000**	(1,416,000)	(74,000)
	16,034,000	1,173,000	1,921,000
From discontinued operations:			
(Loss)	**(942,000)**		
Depreciation and amortization	**18,000**		
Changes in balance sheet accounts:			
Income taxes payable—net	**(808,000)**		
Prepaid expenses	**(292,000)**		
	(2,024,000)		
Total from operations	**14,010,000**	1,173,000	1,921,000
Sale of common stock		8,094,000	
Common stock issued on conversion of debentures		8,672,000	534,000
Common stock issued upon acquisition of subsidiaries and equity interests	**584,000**	2,492,000	1,624,000
Common stock issued under employee stock ownership and stock purchase plans	**152,000**		
Stock options exercised	**92,000**	120,000	1,000
Tax benefit from the issuance of stock options	**128,000**		
Increase in long-term debt	**20,000,000**	12,000	10,248,000
Decrease in notes receivable from officer			640,000
Other			221,000
Total sources of cash	**34,966,000**	20,563,000	15,189,000
Uses of cash:			
Acquisition of subsidiaries and equity interests	**18,362,000**	8,387,000	3,818,000
Decrease (increase) in notes payable	**10,621,000**	(2,770,000)	22,000
Payment of long-term debt	**2,527,000**	9,708,000	2,790,000
Additions to fixed assets, net	**1,615,000**	1,331,000	780,000
Increase in inventories	**1,111,000**	4,697,000	1,269,000
Increase in other assets	**1,248,000**	82,000	590,000
Additions to software products—net	**638,000**	1,569,000	174,000
Decrease in other liabilities	**360,000**	130,000	32,000
Total uses of cash	**36,482,000**	23,134,000	9,475,000
(Decrease) increase in cash and temporary investments	**($ 1,516,000)**	($ 2,571,000)	$ 5,714,000

See accompanying notes to consolidated financial statements

*Restated to conform to 1984 presentation

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 1982, 1983, and 1984

	Common Stock		Paid-in	Retained	Treasury Stock	
	Shares	Amount	Capital	Earnings	Shares	Cost
Balance, December 31, 1981	3,312,000	$331,000	$ 723,000	$ 4,363,000	3,090	$1,000
Net income				2,484,000		
Common stock issued	283,000	28,000	1,596,000			
Stock options exercised					(2,400)	(1,000)
Common stock issued upon conversion of debentures	51,000	5,000	529,000			
Balance, December 31, 1982	3,646,000	364,000	2,848,000	6,847,000	690	
Net income				5,785,000		
Common stock sold	575,000	58,000	8,036,000			
Common stock issued	127,000	13,000	2,479,000			
Stock options exercised	19,000	2,000	118,000		(690)	
Common stock issued upon conversion of debentures	855,000	85,000	8,587,000			
Balance, December 31, 1983	5,222,000	522,000	22,068,000	12,632,000		
Net income				5,839,000		
Common stock issued	39,000	4,000	580,000			
Stock options exercised	13,000	1,000	91,000			
Common stock issued under employee ownership plan	6,000	1,000	123,000			
Common stock issued under employee stock purchase plan	3,000		28,000			
Tax benefit from the issuance of stock options			128,000			
Balance, December 31, 1984	5,283,000	$528,000	$23,018,000	$18,471,000		

See accompanying notes to consolidated financial statements

Note A—Significant Accounting Policies:
The financial statements include the accounts of the Company and its wholly-owned subsidiaries, after elimination of all significant intercompany accounts and transactions.

Service revenues arising from time and material contracts are recognized as services are rendered. Revenues from sales of software packages are recognized as follows: (a) on sales made on standard terms, 90% of the sale amount is recognized when the package is in deliverable form with the balance recognized upon completion of training and support; (b) on sales made subject to client acceptance of the package, revenues are recognized after acceptance is received for the package and the collateral training and support. Revenues from maintenance contracts are recognized ratably over the term of each contract. Product sales, costs of products sales and related selling expenses are recorded when delivery is made to the customer.

Fixed assets are recorded at cost. Depreciation is computed principally on the straight line method based on estimated useful lives. Leasehold improvements are amortized over the life of the lease, or their estimated useful lives, whichever is shorter.

Costs in excess of net assets acquired are being amortized over forty-year periods. Accumulated amortization aggregated $1,206,000 and $494,000 at December 31, 1984 and 1983, respectively.

Inventories, consisting of microcomputer systems, peripherals and computer accessories, are stated at the lower of cost or market; cost is determined by the first-in first-out (FIFO) method.

Deferred income taxes result from reporting certain revenue and expense items differently for financial and tax reporting and are shown primarily as current liabilities although not payable within one year of their respective year-end dates. Investment and research and development tax credits are reflected as a reduction of federal income taxes in the year realized.

Research and development costs which are charged to operations, amounted to $4,413,000 (1984), $2,753,000 (1983) and $1,986,000 (1982).

Costs of software product enhancements with an established market are deferred and amortized over their estimated useful lives, generally five years. Costs deferred and amortized were $2,055,000, $2,230,000, and $212,000 and $666,000, $198,000 and $38,000 for the years 1984, 1983 and 1982 respectively.

Software products at December 31, 1984 include $3,758,000 arising from the purchase of subsidiaries and are stated net of accumulated amortization of $1,253,000.

Primary net income per share is based on the weighted average number of shares of common stock outstanding. Dilution resulting from stock options outstanding is not significant. Fully diluted net income per share assumed conversion on January 1, 1983 of all convertible debentures into common stock; for this calculation net income is increased by the after tax interest of the debentures.

Note B—Fixed Assets:

December 31,	1984	1983
Fixed assets consist of:		
Furniture and equipment	$3,976,000	$3,034,000
Computer equipment	1,814,000	1,497,000
Leasehold improvements	913,000	470,000
	6,703,000	5,001,000
Less: accumulated depreciation and amortization	2,713,000	1,742,000
	$3,990,000	$3,259,000

Note C—Notes Payable:
Notes payable at December 31, 1984 and 1983 include amounts payable ($1,305,000 and $5,430,000, respectively) to former stockholders of companies acquired and for 1983 include amounts payable to banks under lines of credit in the amount of $5,200,000.

Short-term borrowings averaged (on a month-end basis) $1,033,000 (1984), $2,106,000 (1983), and $767,000 (1982) at a monthly weighted average interest rate of 11.0%, 10.8%, and 15.3%, respectively. The maximum amount of short-term borrowings at any month-end was $12,400,000 (1984), $5,200,000 (1983) and $1,673,000 (1982).

Note D—Long-Term Debt:

December 31,	1984	1983
Long-term debt consists of the following:		
Bank term note	$12,750,000	
Bank revolving credit note	4,000,000	
Other	1,138,000	$415,000
	17,888,000	415,000
Less, current maturities	3,066,000	194,000
	$14,822,000	$221,000

The Company has a bank credit facility aggregating $27,750,000 at December 31, 1984 of which $12,750,000 is under the term note and $15,000,000 under the revolving credit note. The term note requires quarterly installments of principal of $750,000 to maturity at January 31, 1989 plus interest at prime. The revolving credit note terminates on October 31, 1986 at which date all amounts then outstanding are converted to a Funded Term Loan payable in quarterly installments commencing on January 31, 1987 with a final maturity date of October 31, 1989; interest, at the Company's choosing, is either at prime or LIBOR (plus 1¼% and other adjustments) to October 31, 1986 and ½% over prime and 1¾% over LIBOR thereafter. Under this credit facility the payment of cash dividends is prohibited and requires the Company to maintain several financial ratios, including working capital and cash flow. The agreement also requires the Company to maintain a compensating cash balance of $500,000.

Maturities of the non-current portion of long-term debt at December 31, 1984 are as follows:

1986	$ 4,058,000
1987	4,341,000
1988	4,338,000
1989	2,085,000
	$14,822,000

Note E—Income Taxes:
The provisions for income taxes consist of the following:

Years ended December 31,	1984	1983	1982
From continuing operations:			
Currently payable:			
Federal	$ 493,000	$1,731,000	$1,216,000
State and local	583,000	780,000	470,000
	1,076,000	2,511,000	1,686,000
Deferred:			
Federal	4,742,000	2,228,000	615,000
State and local	796,000	326,000	49,000
	5,538,000	2,554,000	664,000
	$6,614,000	$5,065,000	$2,350,000
From discontinued operations:			
Currently payable federal	($417,000)		
Deferred federal	($391,000)		
	($808,000)		

The effect on deferred taxes from (i) the reporting of income on the cash basis for income tax purposes was $1,196,000, $1,662,000 and $130,000 for 1984, 1983, and 1982, respectively, (ii) the expensing of software product enhancements for income tax purposes was $659,000 in 1984, and (iii) differences in the valuation and amortization of acquired subsidiary assets was $477,000 in 1984.

A reconciliation of the provisions for taxes on income from continuing operations at the applicable Federal statutory income tax rate to the tax provisions as reported is as follows:

Years ended December 31,	1984	1983	1982
Provision computed at the Federal statutory income tax rate	$6,162,000	$4,968,000	$2,325,000
State and local income taxes, net of federal tax benefit	732,000	597,000	281,000
Amortization of costs in excess of net assets acquired	326,000		
Research and development credit	(510,000)	(320,000)	(220,000)
Investment tax credit	(136,000)	(356,000)	(68,000)
Other	40,000	176,000	32,000
As Reported	$6,614,000	$5,065,000	$2,350,000

At December 31, 1984 the Company has for Federal income tax purposes investment tax and research and development credits available for carryforward of $349,000 and $311,000, respectively which expire in 1998.

Note F—Accounts Payable and Accrued Liabilities:
Accounts payable and accrued liabilities consist of:

December 31,	1984	1983
Accounts payable to vendors	$13,934,000	$ 9,620,000
Accrued interest and withheld payroll taxes	698,000	238,000
Accrued payroll, vacation and bonus expenses	2,164,000	2,669,000
Other	2,016,000	1,927,000
	$18,812,000	$14,454,000

Note G—Stock Plans:
During 1982, the Company adopted an incentive stock option plan ("ISOP") which authorized the granting of options for 250,000 shares; in 1984 the amount was increased to 500,000 shares. The options may be granted at not less than the market price of the shares at date of grant and are generally exercisable over a 10 year period. At December 31, 1984 options for 232,615 shares were outstanding under the ISOP.

During 1982, the Company's 1974 qualified stock option plan was terminated. At December 31, 1984 options for 3,000 shares remain outstanding under this plan.

Certain information with respect to options granted under the above noted plans and a non-qualified plan that expired in 1982 is as follows:

	Number of Shares		
Years ended December 31,	1984	1983	1982
Shares under option at beginning of period ($.50-$28.75 a share)	184,265	123,430	25,500
Granted ($9.50-$28.75)	81,450	106,446	102,430
Exercised ($.50-$16.00)	(13,047)	(19,847)	(2,400)
Cancelled ($.53-$26.50)	(17,053)	(25,764)	(2,100)
Shares under option at end of period ($.50-$28.75 a share)	235,615	184,265	123,830

At December 31, 1984 and 1983 options for 74,416 and 23,213 shares, respectively, were exercisable.

No charges were made to income in connection with the aforementioned stock option plans since all options granted were at market.

During 1983, the Company adopted an employee stock purchase plan (ESPP) which authorizes the granting of 250,000 shares of stock to all full-time employees of the Company and its subsidiaries at a price not less than 85% of the market value at date of grant. Options to purchase 50,000 shares under this plan were authorized of which 3,007 were issued in 1984 at $14.25 per share and 17,832 at $15.30 per share had been subscribed to as of December 31, 1984. Shares are issuable at the termination of the purchase period, August 31, 1985, to all employees then remaining in the plan.

During 1983, the Company adopted an employee stock ownership purchase plan under which all qualified employees of the Company and its subsidiaries are granted shares of stock equal in value to .5% of their annual compensation. In connection with this plan, expenses of $223,000 and $134,000 were reflected in the statements of income for the years ended December 31, 1984 and 1983, respectively.

Note H—Commitments:
The Company is obligated under operating lease agreements, for its offices, warehouse facilities, and other equipment. A number of leases require that the Company pay additional rents due to increased operating costs to the lessor. The minimum aggregate rentals payable under all operating leases at December 31, 1984 are as follows:

1985	$ 2,951,000
1986	2,743,000
1987	2,540,000
1988	2,218,000
1989	1,283,000
1990 and beyond	3,530,000
	$15,265,000

Total rental expense charged to income approximated $2,961,000 (1984), $1,760,000 (1983) and $1,011,000 (1982).

Independent financial institutions provide financing for some purchases of microcomputers for customers, which under certain conditions must be repurchased by the Company. Repurchases made under these agreements amounted to approximately $121,000 during 1984.

Note I—Profit Sharing:
The Company has profit sharing plans covering substantially all employees of the parent and certain of its subsidiaries. The annual contributions under the plans are determined by the Board of Directors. Such contributions amounted to $218,000 (1984), $198,000 (1983) and $221,000 (1982). Profit sharing contributions are funded as accrued.

Note J—Litigation:
Management and legal counsel are of the opinion that pending litigation will not have a material adverse effect on the financial position of the Company.

Note K—Business Acquired:
In 1982 the Company increased its investment in Micro Distributors, Inc., a distributor of microcomputers, from 54% to approximately 67% by issuing to minority shareholders 42,700 shares of Common Stock (market value $342,000) and by investing $562,000 directly into Micro Distributors, Inc. In 1983, the Company further increased its investment in Micro Distributors, Inc. to 100% by purchasing for 123,000 shares of Common Stock (market value $2,381,000) the interests of minority shareholders.

In January 1982, the Company purchased for approximately $530,000 in cash and a note, a 99% interest in a group of companies (Erdman, Anthony Associates) which conduct a professional engineering and design business.

In February 1982, the Company acquired all the capital stock of International Systems, Inc. (ISI), which designs, manufactures and licenses proprietary software products, in exchange for 435,000 shares of Common Stock. This acquisition has been accounted for as a pooling of interests and, accordingly, the results of operations of ISI are included for all periods.

In September 1982, the Company purchased for $2,000,000 in cash and 240,000 shares of Common Stock (market value $1,281,000) all the common stock of Atlantic Software, Inc., which designs, manufactures and licenses proprietary software products.

In March 1983, the Company purchased Microamerica Distributing Co., Inc. which is an independent distributor of microcomputers, peripherals, and accessories for $5,557,000.

In June 1983, the Company purchased for $7,179,000 (of which $3,915,000 was paid in 1984) DISC, Inc., which designs proprietary software products. The purchase agreement calls for additional payments if pre-tax income, as defined, exceeds certain minimum amounts during the three year period following acquisition; under this aspect of the agreement an additional $38,000 and $589,000 was accrued at December 31, 1984, and 1983, respectively.

In January 1984 the Company acquired Software Design Associates, Inc. (SDA), a software services company for approximately $12,900,000.

In December 1984 the Company acquired for $3,450,000 (of which $1,000,000 is payable on December 31, 1985 and $1,000,000 on December 31, 1986) Systems Strategies Inc. which provides computer services and develops software products. The purchase agreement calls for additional payments, if pre-tax income, as defined, exceeds certain minimum amounts. The acquisition is effective on January 1, 1985 and accordingly no operations are reflected in the Statements of Income for 1984, and the purchase price is shown on the balance sheet in other assets.

Except as noted above, these acquisitions have been accounted for as purchases; accordingly, results of operations of the acquired companies are included in the accompanying financial statements since their respective dates of acquisition. The excess of purchase price over net assets of businesses acquired at dates of acquisition approximate $26,400,000 and is being amortized over forty-year periods.

The unaudited pro forma consolidated results of operations of the Company as if Micro Distributors, Inc., Atlantic Software, Inc., Microamerica Distributing Company, Inc. and DISC, Inc. had been acquired on January 1, 1982 and SDA had been acquired on January 1, 1983 are as follows:

Years ended December 31,	1983	1982
Revenues	$175,664,000	$113,047,000
Cost of services and product sales	130,727,000	85,593,000
Selling, general and administrative expenses	34,375,000	22,203,000
Income taxes	5,059,000	2,638,000
Net income	5,503,000	2,613,000
Net income per share		
Primary	1.19	.74
Fully diluted	$ 1.14	$ .74

Note L—Discontinued Operations

Effective December 31, 1984, the Company adopted a plan to discontinue its subsidiary which wholesales microcomputer software manufactured and packaged by outside vendors. At December 31, 1984, the net assets of the discontinued operation, consisting principally of inventory, trade receivables and fixed assets have been stated at estimated realizable value and reclassified to prepaid and other assets.

Sales of the discontinued operation were approximately $4,100,000 in 1984. This subsidiary commenced business in late 1983 and did not have a material effect on 1983 operations. In February 1985, the Company entered into an agreement in principle whereby the net assets of the subsidiary will be exchanged for $450,000 of AGS common stock held by current management of the discontinued operation. The loss on disposal before tax benefits includes the estimated operating losses ($150,000) prior to the disposal date.

Note M—Quarterly Financial Information

Unaudited quarterly financial data for the years 1984 and 1983 is as follows:

1984	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$52,658,000	$52,177,000	$54,836,000	$61,960,000
Gross profit	11,794,000	12,255,000	13,188,000	13,584,000
Income from Continuing Operations	1,727,000	1,428,000	1,860,000	1,766,000
Loss from Discontinued Operations	(168,000)	(121,000)	(82,000)	(112,000)
Loss on Disposal of Discontinued Operations	—	—	—	(459,000)
Net income	1,559,000	1,307,000	1,778,000	1,195,000
Income Per Share from Continuing Operations	.33	.27	.36	.34
Loss Per Share from Discontinued Operations	(.03)	(.02)	(.02)	(.11)
Net income per share	$ .30	$ .25	$ .34	$ .23
1983				
Revenues	$25,016,000	$35,536,000	$38,775,000	$46,584,000
Gross profit	6,232,000	8,333,000	9,821,000	11,580,000
Net income	938,000	1,091,000	1,560,000	2,196,000
Net income per share*	$ .23	$ .24	$ .34	$ .44

*Net income per share would have decreased by $.02, $.01, and $.02 in the first three quarters of 1983, respectively, had the convertible subordinated debentures been converted as of January 1, 1983.

Note N—Company Operations

Information about the Company's operations (principally from domestic operations) is as follows:

	Services and Software Packages	Micro-computer and Other Products	Consolidated
Year Ended December 31, 1984:			
Revenues	$97,177,000	$124,055,000	$221,232,000
Operating profit	13,078,000	5,411,000	18,489,000
General and corporate expenses			(2,661,000)
Interest income			399,000
Interest expense			(2,832,000)
Income before income taxes			13,395,000
Identifiable assets: Operations	$57,172,000	$ 33,265,000	$ 90,437,000
Corporate (principally cash and temporary investments)			2,822,000
Total			$ 93,259,000
Additions to fixed assets	1,362,000	253,000	1,615,000
Depreciation and amortization of fixed assets	924,000	275,000	1,199,000
Year Ended December 31, 1983:			
Revenues	$53,773,000	$ 91,515,000	$145,288,000
Operating profit	$ 9,733,000	$ 2,714,000	$ 12,447,000
General and corporate expenses			(1,237,000)
Interest income			623,000
Interest expense			(983,000)
Income before income taxes			$ 10,850,000
Identifiable assets: Operations	$32,737,000	$ 33,617,000	$ 66,354,000
Corporate (principally cash and temporary investments)			2,499,000
Total			$ 68,853,000
Addition to fixed assets	$ 562,000	$ 769,000	$ 1,331,000
Depreciation and amortization of fixed assets	$ 622,000	$ 353,000	$ 975,000

	Services and Software Packages	Micro-computer and Other Products	Consolidated
Year Ended December 31, 1982:			
Revenues	$37,203,000	$ 27,493,000	$ 64,696,000
Operating profit	$ 4,804,000	$ 1,496,000	$ 6,300,000
General and corporate expenses			(1,034,000)
Interest income			330,000
Interest expense			(762,000)
Income before income taxes			$ 4,834,000
Identifiable assets: Operations	$19,560,000	$ 7,507,000	$ 27,067,000
Corporate (principally cash and temporary investments)			6,733,000
Total			$ 33,800,000
Addition to fixed assets	$ 448,000	$ 332,000	$ 780,000
Depreciation and amortization of fixed assets	$ 456,000	$ 80,000	$ 536,000

The Company operates in two industries: Computer services and software packages and distribution of microcomputers and other products.

Revenues to a group of customers under common control were $27,087,000 and $504,000 (1984), $14,909,000 and $179,000 (1983), and $9,719,000 and $853,000 (1982) of the revenues of the services and microcomputer segments, respectively.

Report of Independent Certified Public Accountants

To the Stockholders and Board of Directors
of AGS Computers, Inc.:

We have examined the consolidated balance sheets of AGS Computers, Inc. and Subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of income, stockholders' equity and changes in cash position for the years ended December 31, 1984, 1983 and 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of AGS Computers, Inc. and Subsidiaries at December 31, 1984 and 1983 and the consolidated results of their operations and changes in their cash position for the years ended December 31, 1984, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Newark, New Jersey
February 22, 1985

Coopers & Lybrand

AGS Computers, Inc.

Corporate Officers

Lawrence J. Schoenberg
Chairman, Chief Executive Officer and Treasurer

Joseph Abrams
President, Chief Operating Officer and Secretary

Anthony F. Stepanski
Executive Vice President

Allen Pearl
General Counsel

Richard W. Thatcher, Jr.
Vice President Corporate Planning

Mario Incalicchio
Controller

Corporate Directors

Joseph Abrams
President, Chief Operating Officer and Secretary

Arthur M. Goldberg*
President and Chief Executive Officer
Transco Group, Inc., and
Chairman
First Fidelity Bank, N.A., County

Peter Graf*
Managing Partner,
Joseph Graf & Company
Certified Public Accountants

Arnold H. Kroll*
Managing Director
L. F. Rothschild, Unterberg, Towbin
Investment Bankers

Lawrence J. Schoenberg
Chairman, Chief Executive Officer and Treasurer

Anthony F. Stepanski
Executive Vice President

*Audit Committee

Divisional Officers

Software Products

Executive Officers

Stanley Adelman
Albert M. Harris
Joseph S. Herbets
H. Allen Luray

Operating Management

Michael Berry
Margaret Brosso
Ralph Cafiero
Harvey Dennenberg
Norman Friedman
Stanley Kopp
Lawrence Light
Michael Marcus
Gerald Markowitz
Andrew Serell
John Snyder
Elizabeth Stevens
James Sullivan

Systems Development

Executive Officers

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Edwin L. Anthony
Russell Dunkle, Jr.
Paul B. Erdman
Jay N. Goldberg
Seth A. Hanover
Kurt Hurst
David Levine

Operating Management

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Martin Aronow
Roger Balsam
John Berrigan
Allan L. Blake
Jonathan Burley
Martin Cook
Stanley Detwiler
Ronald Episcopo
Jack Geringer
Richard Hampson
Richard Huntley
Mario Incalicchio
Douglas Jerger
James Kane
William Kirschner
Michael G. Klein
John Kridel
Frances R. Mann
Richard Nackson
Michael Ornstein
Abbate S. Potenza
Paul Rosenthal
Robert Trocchio
Richard Walsh

Distribution

Executive Officers

Gordon B. Hoffstein
Michael Kolba

Operating Management

Paul Barker
William Brown
Peter Brumme
John Connors
Douglas Johnson
Armen Kachoogian
Karen Minardi
Robert Muccini
Kenneth Perrin
Jack Littman-Quinn

AGS Computers, Inc. & Subsidiaries

Systems Development

AGS Systems Development
1139 Spruce Drive
Mountainside, New Jersey 07092
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(201) 654-4321

Eastern Design Co., Inc.
30 Glenn Street
White Plains, New York 10603
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David Levine
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Erdman, Anthony and Associates, Inc.
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Paul Erdman
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PHD Systems, Inc.
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Wakefield, Massachusetts 01880
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71 Fifth Avenue
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Software Products

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880 First Avenue
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DISC, Inc.
1314 Bedford Avenue
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H. Allen Luray
Albert M. Harris
(301) 486-0410

Systems Strategies, Inc.
225 West 34 Street
New York, New York 10001
Stanley Adelman
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Distribution

AGS System Forms, Inc.
1139 Spruce Drive
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Michael Kolba
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Microamerica, Inc.
33 Boston Post Road West
Marlborough, Massachusetts 01752
Gordon B. Hoffstein
(617) 480-0780

Offices

Arizona (Phoenix)
California (Los Angeles, Carson, San Francisco)
Colorado (Denver)
Connecticut (Bridgeport, Farmington, Norwalk)
Florida (Tampa, Orlando)
Georgia (Atlanta, Norcross)
Illinois (Chicago, Oak Brook, Schaumburg)
Maryland (Baltimore, Greenbelt, Lanham, Rockville)
Massachusetts (Framingham, Wakefield, Waltham)
Minnesota (Minneapolis)
New Jersey (Mountainside, Union)
New York (East Fishkill, Garden City, Jericho, New York City, Rochester, White Plains)
Pennsylvania (Harrisburg, King of Prussia, Philadelphia)
Texas (Dallas, Richardson)
Virginia (Arlington)
Washington, D.C.

United Kingdom
Switzerland

Representatives in 20 additional cities around the world.

Investor's Ready Reference

AGS Computers, Inc.
1139 Spruce Drive
Mountainside, New Jersey 07092
(201) 654-4321

New York Stock Exchange: AGS

Business Description: AGS Computers, Inc. provides automation solutions to the telecommunications, finance and computer industries. It delivers these solutions by combining the important elements of software and distribution. AGS is a leader in each of the market niches in which it operates—commercial systems development, software products and microcomputer distribution.

Five Year Summary

Selected Financial Data: (in thousands of dollars except per share data)	**1984**	1983	1982	1981	1980
Total Revenues:	**$221,631**	$145,911	$65,026	$38,773	$16,983
Income from Continuing Operations:	**6,781**	5,785	2,484	1,796	570
Income Per Share from Continuing Operations:	**1.29**	1.25	.73	.57	.19
Total Assets:	**93,259**	68,853	33,800	15,042	5,959
Long-term Obligations:	**14,822**	221	9,866	859	244
Shareholders' Equity:	**41,979**	35,222	10,059	5,416	2,896

Also see Note K (Acquisitions)

Stock Market Information:	1983		1984	
	High	Low	High	Low
First quarter	21¼	14	30½	19¾
Second quarter	29¼	15½	20¼	15
Third quarter	31½	25	16¾	9⅜
Fourth quarter	28¾	23¼	13½	9¾*
Fourth quarter			13¼	10½**

*All prices in 1983 and through October 17, 1984 are high and low bid in the Over-the-Counter market.

**AGS shares were listed on the New York Stock Exchange on October 18, 1984 and these are the high and low closing prices from that date through December 31, 1984.

Form 10-K: The Company's Form 10-K Annual Report is filed with the Securities and Exchange Commission and contains certain additional information. A copy of Form 10-K is available without charge to any shareholder by writing to: Shareholder Relations, AGS, 1139 Spruce Drive, Mountainside, N. J. 07092.

Investor Relations: Pearl Turtletaub (201) 654-4321

Registrar and Transfer Agent: Registrar & Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

Annual Meeting: May 1, 1985; 10 a.m.
Offices of L. F. Rothschild, Unterberg, Towbin
55 Water Street—3rd floor
New York, New York 10041