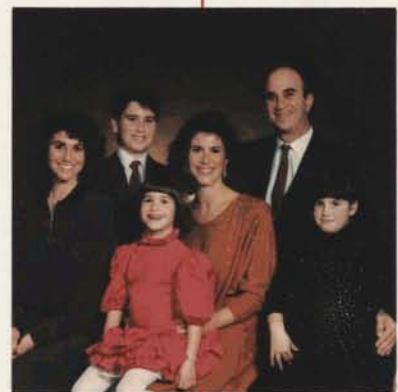


In this year's Annual Report
we focus on AGS'
relationship to
the world in
which it lives.



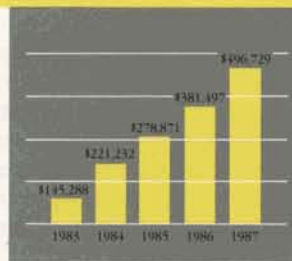
We thank those
special people
not only for
their contributions
to this report but for
their participation in
AGS' growth and
development.



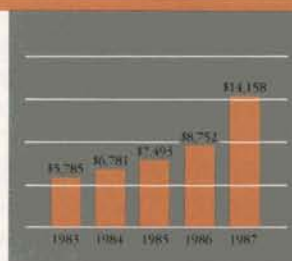
Corporate Profile

AGS Computers, Inc. provides automation solutions to finance, telecommunications, computer and government organizations. To develop the right solutions for our clients, we provide an extensive portfolio of: Systems Development and Consulting Services, Software Products and Microcomputer Distribution Services. AGS is pleased to be recognized as a leader in each of its market niches.

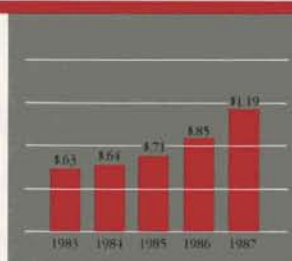
Revenues



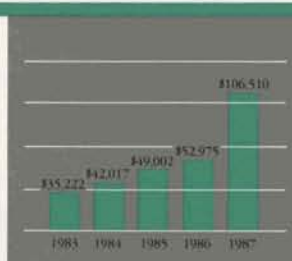
Net Profits



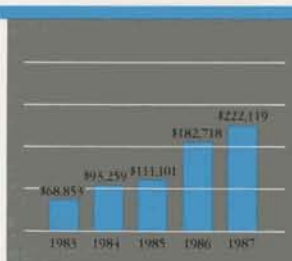
Earnings Per Share



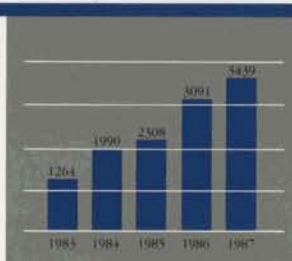
Shareholders' Equity



Total Assets



Employees



Dear Shareholders:

AGS prides itself on setting aggressive operational and financial plans and achieving those objectives year after year. 1987 was no exception. We exceeded the goals stated in our 1986 annual report and reiterated at our annual shareholder and analyst meetings. Let's review those goals, the results and AGS' commitment to the consistent implementation of its strategy.

"Increase profits and revenues more than 20% while meeting our targeted 40% pretax return on equity"

Profits rose 62%, surpassing the 5 year compounded rate of 42%. This also marked the ninth straight year of record profits. Revenues increased 30% continuing an unbroken record throughout our 21 year history. The pretax return on equity was 49%.

"\$1 Billion revenue goal by the early 1990's"

AGS' actual growth rate has exceeded the plan implicit in the goal. Our internal growth rate plus our historic success in acquiring profitable companies leave us confident that we will meet the objective.

"Continued expansion of each of our operating units"

Twelve of our thirteen operating units grew in 1987. Geographic expansion continued apace. A professional services office was opened in North Carolina and an office was purchased in Detroit. A software products office in Atlanta came with a bank software acquisition. The distribution business added four locations in the U.S., one in Canada and entered the Latin American market through our acquisition. Microamerica created a national account sales group. This group now sells to large customers representing over 500 locations.

"Increased emphasis on significant projects for major clients"

We have completed and/or are implementing major new products for IBM, AT&T, Morgan Bank, Bank of New York, Citicorp, NYNEX, Pepsico and the Delaware River and Bay Authority. We have established three AGS controlled project development centers to deliver complete solutions to our customers. AGS has also expanded its major customer and vertical market

selling teams. We have a team focusing on each of our very largest customers as well as a telecommunications, banking, securities, and manufacturing industry specialist group.

"Increase our focus on computer manufacturing companies"

Our business with IBM as a customer grew over 50% in 1987. We became an IBM Industry Marketing Assistance Program partner to obtain business from IBM's customers. Our communications software is being sold by Digital Equipment Corporation's (DEC) sales people and we broadened our partner relationship with DEC. The text of this report discusses projects with NCR and Apollo. Overall, we significantly enhanced our business throughout the industry.

"Increase the development pace of new software products"

AGS more than doubled its software product development expenditure to almost \$13 million. Our banking group has started development of a British version of its Securities Processing System, as well as Comprehensive Capital Markets System and a Personal Trust System. We developed a financial system to handle escheat and abandoned property funds, that is, corporate checks, certificates, drafts and deposits not claimed by shareholders or depositors. The product will be delivered directly to the corporate market. We acquired a company specializing in cash management systems, putting us in another fast growing niche of the banking application market.

"Improve profit margins on software products"

The addition of new banking products allowed AGS to triple its overall software product margins.

"Increase solutions selling and software orientation in distribution"

Microamerica became in 1987, the exclusive North American distributor for Aldus desktop publishing software. This enabled us to provide a complete system as a value added service and for a greater profit per sale. The addition of Novell software gives us greater opportunities for communications networks.

1988

Our specific goals for 1988 are based on the continued execution of the strategies and plans of prior years. This year we will stress even harder, our focus on significant software projects and systems integration. We will develop a wide range of new software products in 1988. A Personal Trust Accounting (VTAS), a Capital Markets Securities System (VCAP) and the UK version of our Securities Processing System (VSPS) will be completed. We will have a major expansion of our Cash Management System (ACCESS) and introduce the Escheat and Abandoned Property System (APECS). This will allow us to broaden our customer base from banks to the large corporate marketplace. Outside of the financial market arena we will have an electronic mail/office automation communication software product (SNADS). Our communications software unit will place greater emphasis on serving end-users and on its partnering relationship with DEC. AGS' software for the CASE (Computer Aided Systems Engineering) market will focus on providing the overall structure for all CASE software products via a product named MULTI-CAM and the further market penetration of our niche products for project management (WINGS,PAC) and system development methodology (SDM).

In microcomputer distribution, Microamerica plans to expand its customer base by entering another international area, opening more remote distribution centers and by adding some horizontal broad-based software offerings. There will be an ever increasing focus on solutions selling, including desk top publishing, local area networks, multiuser, UNIX based computers and Macintosh related products.

We believe it is useful to reiterate our goals and our strategic position for both you, our shareholders, and for us, the management of AGS. These goals are:

- *Continue our leadership position in the industries we serve*
- *Provide comprehensive value-added solutions*
- *Expand our customer repeat business base*
- *Leverage our management, financial and technical skills*
- *Maintain our consistent, predictable growth record*

Strategically, we are well positioned to achieve these goals. The computer services industry and software in particular, is growing rapidly and will soon become the nation's largest and most powerful industry. Our leading market position is reflected in our size and marketshare, specific industry focus, Fortune/Forbes

500 customer base and state-of-the-art technology. This position should allow us to surpass the growth rate of our broad industry classification. This opportunity is being addressed by a focused plan which leverages our considerable management, technical and financial resources. We expect consistent high growth. Specifically, in 1988, we anticipate profit growth of greater than 20% and a 30% pre tax return on equity.

The theme of this year's annual report is to depict AGS' relationship to the world in which it lives. Our relationships with our people, clients, industry, partners, vendors, communities and investors are fundamental to our growth and success. Our special thanks to all of you in these valued relationships for your efforts and support.

Yours sincerely,

LAWRENCE J. SCHOENBERG
*Chairman,
Chief Executive Officer*

JOSEPH ABRAMS
*President,
Chief Operating Officer*

February, 1988



Left to Right: Lawrence J. Schoenberg, Joseph Abrams

AGS – What We Do

AGS helps clients solve important problems. It is composed of three major groups capable of providing an extensive portfolio of automation solutions for its clients. Each group has established leading positions in its respective markets. Each group also provides opportunities to leverage the other.

The three groups are:

1. Systems Development
2. Software Products and
3. Distribution

SYSTEMS DEVELOPMENT

Our systems development unit, *AGS INFORMATION SERVICES*, is one of the largest professional services companies in the industry. It is comprised of more than 2,000 people with significant expertise in designing, building and maintaining information systems. Clients are served from offices throughout the United States and Europe.

Business and government want better systems to sharpen decision-making, improve operating efficiency, strengthen their competitive advantage and increase profits. Creating such systems is often a complex task, requiring significant investment in people and equipment. The rewards for better systems can be great, but so can the risk in creating them.

Clients turn to AGS professionals to help minimize that risk, plus ensure the application of innovative technology, and thus help them achieve their systems objectives as soon as possible.

Today, more than ever, clients are engaging AGS to manage major projects for them. Such projects often include the integrated delivery of custom software, software products, hardware, and a full range of support services. This is comprehensive systems integration. AGS also offers specialized services in knowledge engineering, training, and technical writing.

Today, AGS serves a variety of industries and markets with special focus on telecommunications, computers, banking, insurance, brokerage, manufacturing and government (local, state and federal).

The primary goal of *AGS INFORMATION SERVICES* is to build successful client relationships. It does this by providing clients competent, cost effective solutions to their business and information processing problems. More than 400 of Fortune's 1000 companies are clients, using AGS solutions to their competitive advantage. Eighty percent of AGS' business comes from current clients, proof that AGS is, indeed, achieving its primary goal.

EASTERN DESIGN specializes in providing engineering professionals to help leading aerospace, telecommunications and electronics firms with major technical projects. The firm has grown consistently since its acquisition by AGS in 1981.

ERDMAN, ANTHONY specializes in environmental and civil engineering, performing an extensive range of services primarily for state and local governments.

SOFTWARE PRODUCTS

Through its product units, AGS continues to penetrate its primary markets (and additional ones as well) by leveraging technology expertise and applications capabilities. This is evident from the range of interrelationships between our systems development services and our software product offerings.

For example, *AGS INFORMATION SERVICES* has built many systems for leading banks and brokerage firms. Our *DISC* unit develops and markets a wide range of specialized cash management, account management, and regulatory compliance software products for banks, thrifts and corporations. These products are used by more than 600 major clients in the U.S. and Canada, including 75 of the "top 100" banks. *VISTA CONCEPTS* provides software products and consulting to fulfill the total securities processing and personal trust functions within banks. It is the leading supplier of securities processing systems to the major "money – center" banks.

As another example, AGS provides an extensive portfolio of development capabilities to the telecommunications and computer industries. AGS is well-regarded for its relationships with IBM, the AT&T companies, and our expertise in UNIX. We are also frequently asked to provide UNIX based systems expertise to firms using computers from AT&T, IBM and others. Evolving from these activities have been significant opportunities for our *SYSTEMS STRATEGIES* subsidiary (*SSI*). *SSI* is a leading supplier of communications software designed to allow mini and micro computer systems of many different manufacturers to communicate effectively with IBM mainframes.

To build information systems successfully requires the effective use of three critical resources:

- Qualified People
- Proven Tools (hardware and software)
- Proven Management and Development Methodologies

From its broad experience, *AGS INFORMATION SERVICES* can select from a wide variety of tools and methodologies that are appropriate for a given client. Some of the most successful ones come from our own subsidiary, *AGS MANAGEMENT SYSTEMS*, a leading developer and marketer of state-of-the-art project management systems and development methodologies. Its products and consulting services are used throughout the world.

In summary, this unique blend of software capabilities, custom systems development services, and state-of-the-art software products distinguishes AGS from its

competition in the computer services industry, and allows us to serve the diverse needs of our clients most effectively.

DISTRIBUTION

Our *MICROAMERICA* subsidiary is the largest distributor of microcomputer related products in the United States, serving systems integrators, value-added resellers, computer retailers and consultants throughout the country. Microamerica's history is marked by phenomenal growth. Microamerica employs over 500 people and, in 1987, revenues reached \$300 million, reflecting record levels in sales and profits.

The secret to Microamerica's success can be attributed to three key strategies:

- Offer customers the finest in service, support and products
- Develop strategic alliances with the industry's key manufacturers
- Pay strict attention to the details

Though Microamerica's size and scope has changed over the years, these basic guidelines continue to steer the company.

To ensure personal contact with its resellers on a local level, Microamerica opened the first of its many regional distribution centers in 1979. These centers are strategically located in major areas across the United States and provide resellers with training and technical support, as well as many other specialized services. Two years later, Microamerica created the district sales representative (DSR) position. The DSR is responsible for all sales and support in a specific sales territory, and establishes and maintains a diversified base of computer resellers.

In fact, the company has become highly innovative in providing reseller service and support programs that are unsurpassed. For instance, Microamerica, in conjunction with Westinghouse Credit Corporation (now Chrysler First Wholesale Credit, Inc.) introduced the industry's first inventory financing program in 1981. Coined MicroChargeSM, the program enables resellers to purchase inventory, which can be financed for up to 150 days without tying up scarce capital resources.

Microamerica also has the distinction of producing the industry's first dealer newsletter, *MicroNews*SM. The publication keeps resellers informed of product

updates, manufacturer and dealer news, promotional programs and training, and also offers sales and business tips.

In 1983, the TIPS program – Technical Information and Product Support – was implemented to answer reseller's technical and product application questions. The program has grown tremendously over the years, and has been cited for offering resellers unsurpassed and innovative technical backup. It offers regional support and has been further enhanced by the National Support Lab, which acts as a central resource for configurations, information coordination and interface with vendor support personnel.

In January 1984, Microamerica formally launched MicroSchoolSM, a continuing reseller education program offered at all Microamerica centers. In 1986, to reach resellers not based near one of the company's centers, Microamerica formalized Local Area Micro-School sessions (LAMs). To date, over 6,000 resellers have participated in the company's training programs.

At the same time that Microamerica was developing new programs, it was also adding new distribution centers throughout the country at a rate of one to two per year. In 1986, the company made its move into the international arena with the acquisition of CompuServe, Canada's largest microcomputer hardware and software distributor. In December 1987, international operations were expanded into Latin America with the acquisition of IMS, in Florida.

Over the years, Microamerica has earned an impeccable reputation. The company was named the nation's number one microcomputer hardware distributor by *Micro Marketworld* and, for two consecutive years, by *Computer Reseller News*, a leading trade publication. In addition, the same publication honored Gordon B. Hoffstein, Microamerica's president, C.E.O. and founder, as one of the industry's top 25 executives.

Throughout its history, the company has continued to adhere to a firm policy of selling only to resellers. This policy clearly aligns Microamerica's best interests with those of its customers by not competing for large end-user accounts. Microamerica has also concentrated on distributing a limited product line of only the best products from manufacturers that are equally committed to the long-term success of its customer base. In keeping with this objective, Microamerica concentrates on carrying products primarily oriented toward the commercial sector, including microcomputers, software, peripherals and supplies.

