NEWS RELEASE

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The ASK Group

For Release at 1 P.M. PDT

THE ASK GROUP RETURNS TO PROFITABILITY IN THE FOURTH QUARTER FOLLOWING SUCCESSFUL PRODUCT TRANSITION

MOUNTAIN VIEW, Calif. – July 27, 1993 – The ASK Group, Inc. (ASKI) today released fourth quarter and fiscal 1993 results and said that the company had ended the year with the successful completion of major product transitions.

For the fourth quarter ended June 30, 1993, the company reported a profit of $4.8 million or $.20 per share on revenue of $128.5 million. Results were improved from the preceding third quarter when the company incurred a loss of $674,000 or $.03 cents per share on revenue of $100.5 million. The sequential improvement was fueled by software license growth, including strong manufacturing applications sales and a 33 percent increase in INGRES products sales. Total manufacturing application software revenue rose 106 percent from the third quarter and 52 percent when compared to the previous year's fourth quarter.

Pier Carlo Falotti, the company's president and chief executive officer, said, "The ASK Group began its fiscal year with no manufacturing applications products addressing the UNIX market. The company introduced MANMAN/X in September 1992, and by the end of June 1993 we had sold over 100 licenses, mostly to new customers. These licenses will support more than 5,000 users. MANMAN/X has become one of the fastest selling manufacturing business management systems, continuing the product line's track record of leadership. ASK business unit applications license revenue was an all-time quarterly high and increased 71 percent compared to the fourth quarter a year ago."

The company also saw a strong quarter of cash flow as it generated approximately $18 million of operating cash and went from being a net borrower of funds in March 1993 to a net investor in June 1993; year-end cash balances of $18.3 million exceeded bank debt by $5.5 million.

– more –

Fourth quarter 1993 net revenue of $128.5 million compared to revenue of $142.4 million for the previous year's fourth quarter. Approximately 45 percent of the decline was due to the company's continued planned decrease in reselling computer hardware. Most of the balance of the decline was due to the strengthening U.S. dollar's impact on international revenues. The Company derives more than half of its revenues from outside the United States.

Falotti said, "The planned reduction of the hardware resales has brought this component of our business to represent only 12 percent of the total revenue compared to 17 percent last year and more than 50 percent 33 months ago."

Fiscal 1993 total revenues of $426.2 million declined approximately $6.2 million from the previous year. Growth in software and services revenues was offset by a decline of $21 million in hardware resale revenues. The company's revenue was also reduced by approximately $11 million due to the impact of the strengthening U.S. dollar. Net earnings for the year were $149,000 compared to last year's loss of almost $48 million. Last year's loss reflected the after tax impact of approximately $55 million for a one-time charge to write down purchased intangibles and goodwill.

Falotti added, "While of course we are not yet satisfied with our performance, we have made solid progress in implementing our 'Open Business Strategy'. We have completed our reorganization faster than anticipated, and we are ready to start the new fiscal year with a business that is more flexible, focused and on an upward trend. In particular, we focused this year to completely rebuild the North America operation. We are very pleased with the improvements in this business and the quality and enthusiasm of the people we have in the organization."

As evidence of the year's progress Falotti cited:

- The creation of five entrepreneurial business units focused on database and connectivity products; development tools; manufacturing systems; customer services; and distribution.

- The recruitment of key, senior executives with a track record of industry accomplishment. These executives will play key roles in implementing the company's vision.

- Data 3's 20 percent growth in software and services and return to profitability.

- The reallocation of resources from products based on proprietary operating environments to products based on UNIX and MS-DOS Windows environments.

- The continued increase in the number of significant accounts and large projects employing INGRES products around the world.

- The flow of new products coming out during the year that reinforce the company's position as a technology leader.

- A new, more aggressive approach to customer service that will complement and complete the company's Open Business Strategy and provide growth.

Falotti continued, "We are committed to providing customers with solutions that they can implement and benefit from as quickly as possible. We are expanding investments in research and development, marketing and distribution using efficiencies gained from reorganizing our infrastructure. And unlike previous years, we now have strong organizations in both the Americas and Europe, and a growing operation in Asia, enabling us to sell efficiently worldwide. The company believes it enters fiscal 1994 with the opportunity to realize the benefits of the changes it has effected this year."

The ASK Group, Inc. is one of the largest software companies in the world. Its products include the INGRES database, connectivity and tools products as well as the MANMAN, MANMAN/X and SIM/400 manufacturing business management systems. There are more than 2,300 employees who serve customers worldwide. The company's shares are traded on the NASDAQ National Market System under the symbol ASKI.

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The ASK Group, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended June 30,	
	1993	1992 (1)
Net revenue:		
Hardware revenue	$ 53,175	$ 74,225
Software revenue	207,244	198,274
Service revenue	165,794	159,925
Total revenue	426,213	432,424
Costs and expenses:		
Cost of systems	88,558	97,625
Cost of services	78,438	71,637
Product development	44,673	35,573
Selling, general and administrative	202,986	198,117
Amortization of goodwill and other purchased intangibles	8,145	10,183
Writedown of intangible assets	-	63,322
Total costs and expenses	422,800	476,457
Operating income (loss)	3,413	(44,033)
Interest and other income, net	478	1,068
Interest expense	(2,652)	(4,763)
Income (loss) before income taxes	1,239	(47,728)
Provision for income taxes	1,090	-
Net income (loss)	$ 149	$ (47,728)
Income (loss) per share	$ 0.01	$ (2.37)
Shares used in per share calculation	23,356	20,137

(1) Certain amounts have been reclassified to conform with the current period's presentation.

The ASK Group, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended June 30,	
	1993	1992
	(unaudited)	
Net revenue:		
Hardware revenue	$ 15,591	$ 21,914
Software revenue	68,738	74,409
Service revenue	44,125	46,047
Total revenue	128,454	142,370
Costs and expenses:		
Cost of systems	27,106	30,420
Cost of services	20,157	19,071
Product development	10,548	9,103
Selling, general and administrative	57,533	62,461
Amortization of goodwill and other purchased intangibles	1,989	2,083
Total costs and expenses	117,333	123,138
Operating income	11,121	19,232
Interest and other income (expense), net	(39)	(478)
Interest expense	(772)	(1,151)
Income before income taxes	10,310	17,603
Provision for income taxes	5,536	9,444
Net income	$ 4,774	$ 8,159
Income per share	$ 0.20	$ 0.36
Shares used in per share calculation	23,523	22,361

The ASK Group, Inc.
CONSOLIDATED BALANCE SHEETS
(In thousands - except shares)

	June 30, 1993	June 30, 1992
Assets		
Current assets:		
Cash and cash equivalents	$ 18,271	$ 27,743
Accounts receivable, less allowance for doubtful accounts of $ 7,583 ($9,959 at June 30, 1992)	146,097	156,912
Inventory	1,184	2,078
Prepaid income taxes	2,067	-
Other current assets	15,966	11,834
Total current assets	183,585	198,567
Capitalized software development costs, net	11,950	9,383
Property, plant and equipment, at cost	92,895	83,169
Less: accumulated depreciation and amortization	46,906	39,440
Net property, plant and equipment	45,989	43,729
Goodwill, net	45,025	48,681
Purchased intangibles, net	25,022	29,512
Other long-term assets	4,200	7,942
	$ 315,771	$ 337,814
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 121	$ 121
Accounts payable	26,786	31,731
Accrued payroll and related items	25,637	27,030
Income taxes payable	-	1,030
Sales and value added taxes payable	6,670	10,515
Other accrued liabilities	17,218	22,515
Current portion of other liabilities	3,318	3,120
Customer deposits	849	1,232
Deferred income tax	-	4,555
Deferred revenue	66,160	66,178
Total current liabilities	146,759	168,027
Long-term debt, net of current portion	12,697	19,830
Other liabilities, net of current portion	4,528	7,432
Deferred income tax	3,252	10,221
Stockholders' equity		
Common stock, $0.01 par value, 40,000,000 shares authorized; 22,917,022 outstanding (21,138,133 at June 30, 1992)	229	211
Additional paid-in-capital	140,949	121,479
Retained earnings	10,541	10,392
Less: treasury stock; 5,533 shares, at cost	-	(87)
Cumulative translation adjustment	(3,184)	309
Total stockholders' equity	148,535	132,304
	$ 315,771	$ 337,814

ASK

(BW)(ASK-GROUP)(ASKI) The ASK Group implements ''open'' business strategy; software company announces ''open tools'' unit, new organizational structure, support for multiple databases

Business Editors/Computer Writers

MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)--Pier Carlo Falotti, president and chief executive officer of The ASK Group Inc. (NASDAQ/NMS:ASKI), Wednesday announced the formation of a separate software development tools business unit and a new, worldwide distribution unit as the first steps in the company's ''open'' business strategy.

Additionally, Falotti announced that the company would make its MANMAN/X and INGRES/Windows4GL application development tools interoperable with products from other vendors and expand its MANMAN/X manufacturing information system software to support multiple databases.

Falotti attributed today's development to the growing customer need for ''open systems'' products and explained that an ''open'' strategy would leverage the company's strong growth. In January, The ASK Group posted second quarter results representing record revenue and a 248 percent year-to-year increase in net income.

''By translating our commitment to 'open' into immediate action, we are letting our customers know that we have been listening to them and are putting customer needs as our first priority,'' Falotti said. ''As we embark on becoming a truly customer-driven company, the concept of 'open' will be a passion for us and starting today, you will see a series of milestones that make our commitment a reality.''

Specifically, he said the company would be doing the following:

Open Tools

-- Opening the INGRES/Windows4GL and MANMAN/X software development tools to work with multiple databases;

-- Opening the INGRES intelligent database to be accessible to application development tools other than its own;

Organizational Structure

-- Reshaping the company into smaller, more entrepreneurial units which are both independent and interdependent to maximize the synergies that exist among the units;

-- Creating an open tools business focused exclusively on accelerating the development and marketing of software development tools;

-- Creating a worldwide distribution business for all products and services, starting in Europe, that includes all the resources necessary to satisfy customers' needs;

Multiple Database Support

-- Opening the MANMAN/X business information system product to work with multiple relational databases (soon expanding beyond the currently-supported ISAM and INGRES databases);

-- Building additional gateways between its Ingres open database connectivity products and non-Ingres databases (soon expanding beyond the currently-supported DB2, IMS, Rdb, VMS and Allbase databases).

''At The ASK Group, 'open' implies providing customers the choice between multiple hardware platforms, operating systems and relational databases,'' Falotti said. ''By opening our products to work with offerings from other vendors, we are providing our customers important choices and underscoring the fact that we will be motivated by our customers' definition of 'open,' not our own.''

The independent businesses that currently comprise The ASK Group, all headquartered in California, are Ingres of Alameda, ASK Computer Systems of Mountain View and Data 3 Systems of Santa Rosa, specializing in relational database management systems (RDBMS), application development tools and manufacturing and financial management applications for mid-range computer systems.

Falotti named Eric Carlson as acting president of the open tools business and Michael Laven as president of the distribution business. In addition to his new responsibilities, Carlson will continue as president of ASK Computer Systems. Laven had previously been senior vice president of Ingres' worldwide field operations.

''Eric's and Mikes's new groups illustrate our synergistic structure based on the principles of autonomy and unity -- one encouraging innovation, the other controlling costs,'' Falotti said. ''The open tools business, will be focused, entrepreneurial unit that is independent of other product units, and solely dedicated to exploring industry standards to fulfill evolving customer needs. Conversely, a single distribution business for all products will optimize our worldwide infrastructure to offer customers elements of our in-house developed product portfolio, or those from other vendors.''

In addition to the open tools business, Falotti said the company's other product business units would continue to focus on UNIX-based manufacturing applications, database and connectivity products, and manufacturing systems for the IBM AS/400.

Open Tools Business

The open tools business will draw upon the tools and applications expertise of two existing company businesses -- Ingres and ASK Computer Systems -- to develop products as well as create an industry standards-based architecture for the next generation of open software applications.

''The tools market has just marked the entry of a formidable competitor,'' said Carlson, acting president of the open tools business unit. ''We are going to be a nimble and sophisticated player -- combining entrepreneurial spirit with big company resources, and drawing upon the technological expertise of our businesses to create applications that interoperate with all popular databases and computer platforms and take advantage of multiple development languages.''

''We will make our architecture available to all other tools suppliers, and we'll be actively searching for 'best-of-breed' tools from other vendors to include in our tool kit,'' Carlson said. ''We won't be creating new standards; our architecture will incorporate existing specifications.

''Our goal is to create order for a fragmented tools industry and allow all applications developers -- including ourselves and our customers -- to enhance productivity.''

In creating the new business, Carlson, said he would draw on talent that already exists in the company, while not distracting from current development efforts.

He named Olivia Dillan, a vice president of engineering for Ingres, as the head of engineering for the new business, and Matt Di Maria, as head of marketing. Both Dillan and Di Maria are long-time Ingres employees who have been critical participants in the development and delivery of INGRES/Windows4GL, the company's object-oriented, graphical user interface-based application development tool, Carlson said.

Falotti said Marilyn Bohl, Ingres senior vice president of engineering and head of The ASK Group's Technology Council, will refocus development efforts for the Ingres database and connectivity products business unit as part of a drive to reestablish the Ingres leadership and visibility in those areas.

Distribution Business

The new distribution unit will integrate the infrastructure of Ingres, ASK Computer Systems and Data 3 sales offices worldwide and build upon existing personnel to develop product-specialized selling teams. The unit will be built in stages, with early implementation in Europe, to be followed by Asia and North America.

''By offering customers a complete product portfolio from a single point-of-entry and the choice to mix-and-match products from other vendors, we provide them a convenient and flexible option,'' Laven said. ''In addition, the new structure provides The ASK Group an opportunity to lower costs through infrastructure optimization, and increase revenues by offering 'open' products.''

Falotti, who had been president and chief executive officer of Digital Equipment Corp.'s $7 billion European operations, took over the leadership of The ASK Group six months ago from founder Sandra L. Kurtzig, who continues as chairman. Falotti is known for his innovations in customer service, selling, training and organizational methodologies and models.

The ASK Group Inc. is one of the largest software companies in the world with revenue of $432 million for its fiscal year ended June 30, 1992. There are more than 2,400 employees in 90 offices who serve customers worldwide.

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1992 Annual Report

The ASK Group

THE ASK GROUP AT A GLANCE

- Ingres, ASK Computer Systems and Data 3 comprise The ASK Group.
- One of the largest software companies in the world.
- 91 sales offices in 17 countries.
- 2,300 employees worldwide.
- Major markets include manufacturing, government, telecommunications, finance, utilities, transportation, petroleum, and education.
- Products include the INGRES Intelligent Database, designed to support client-server applications, and INGRES/Windows4GL, the industry's premier graphical-user-interface-based application development tool; and the MANMAN, MANMAN/X, MAXCIM and SIM/400 manufacturing and financial management systems.
- Stock traded on the NASDAQ National Market System under the symbol ASKI. Initial public offering, 1981. Fiscal year ends June 30.
- Founded in 1972 by Sandra L. Kurtzig.

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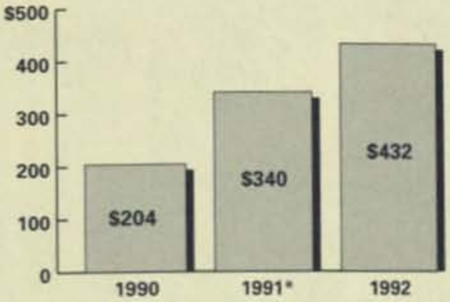
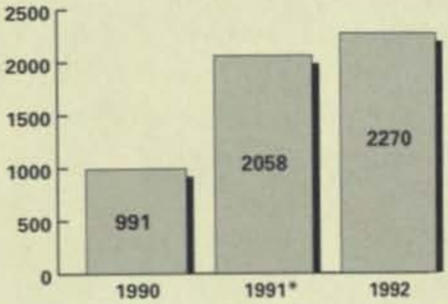
FINANCIAL HIGHLIGHTS

Net Revenue
(in millions)



Revenue is net of acquisition adjustments.

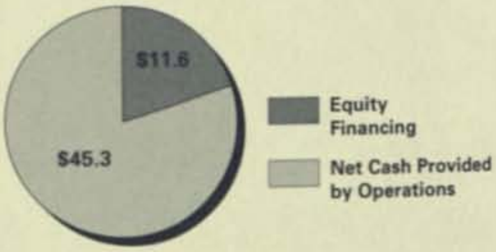
Worldwide Employment



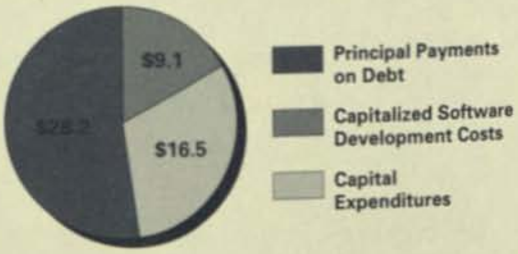
Revenue Per Share

Revenue is net of acquisition adjustments; weighted average shares.

Summary of Major Cash Inflows–1992

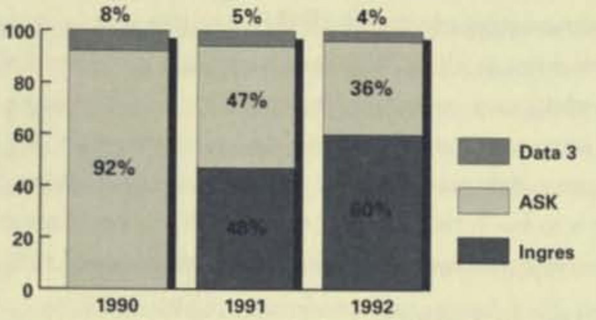


Summary of Major Cash Outflows–1992

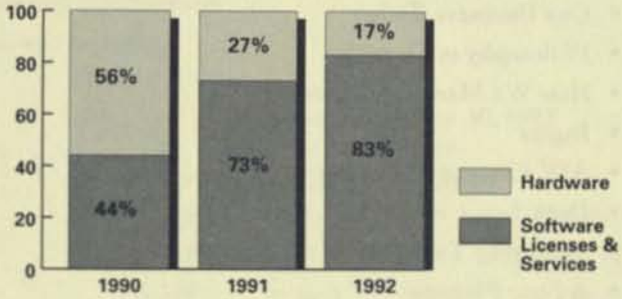


*Ingres was acquired during fiscal 1991.

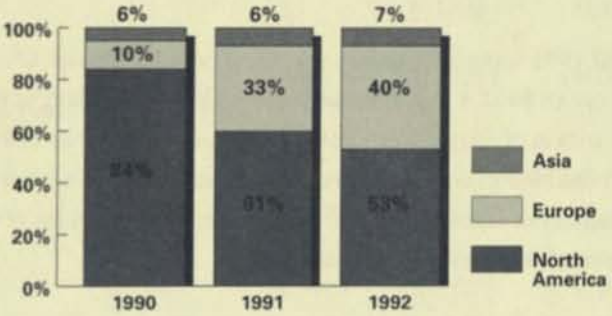
*Revenue Distribution — Business Unit**



*Revenue Distribution — Product Categories**



*Revenue Distribution — Geographic**



* Ingres was acquired during fiscal 1991. For comparison, we have calculated yearly percentages in the above three charts using a full twelve months of Ingres revenue before purchase accounting adjustments. For this reason, percentages will vary from reported results discussed in the Financial Review section of this report.

TO OUR STOCKHOLDERS:

Our annual report looks a little different this year — no color, slick photos, or customer testimonials. We could have done it the usual way, but as The ASK Group has undergone a major transformation in the past year we have also transformed our most important piece of stockholder communication. We have a new organization, a new name, new products, and new market opportunities. So much has changed and there is so much to talk about that we felt the best format for the annual report was an executive letter from us to you. Here is what we will talk about.

- *1992 in Review*
- *A Brief History*
- *Corporate Reorganization*
- *Our Business Today*
- *Philosophy of Growth*
- *How We Measure Ourselves*
- *Ingres*
- *ASK Computer Systems*
- *Data 3*
- *Managing Turnaround vs. Growth*
- *A New Plateau*
- *Outlook*

1992 in Review

Fiscal 1992 was a bellwether year for The ASK Group. Our revenue increased 27 percent to $432.4 million compared to $339.8 million in fiscal 1991. Since the acquisition of Ingres Corporation (Ingres) in October 1990, the Company has more than doubled in size and transformed itself from a supplier of manufacturing management information systems to a leading provider of business software to a cross-section of industries worldwide.

We have pursued a strategy of diversification through the development and acquisition of core software technologies: intelligent relational databases, fourth-generation language (4GL) development environments, application development tools and open application products. We have expanded our client base to include not only our valued manufacturing customers but also customers in international banking, government, transportation, telecommunications, advanced research, and retail.

Today three independent business units comprise The ASK Group with total revenue that makes the Company one of the largest software companies in the world. Prior to our 1990 acquisition of Ingres, about 80 percent of our revenue was from the U.S., and hardware resales accounted for more than 50 percent of our total business. Now more than 45 percent of our business comes from markets outside North America, and we derive more than 80 percent of our revenue from the sale of software licenses and services.

Along with this transition has come resumed growth in profits. Before taking into account acquisition related items and the December 1991 one-time, non-cash write-down of $63.3 million of purchased intangibles and goodwill, the Company reported fiscal 1992 income from operations of $32.9 million, a 239 percent increase over comparably calculated income from operations of $9.7 million in the previous fiscal year. After the one-time write-down the Company reported a loss from operations of $44.0 million, and negative net income of $47.7 million or negative $2.37 per share.

Table 1 provides a summary of The ASK Group's fiscal 1992 results. Presenting our operating results (column 1) before the non-cash adjustments (columns 2 & 3), we feel, better approximates cash flow and profit from operations.

Table 1: Supplemental Financial Information

(In thousands except per share amounts - unaudited)

	For The Year Ended June 30, 1992			
	(1) Operations	(2) Acquisition Related	(3) Intangible Write-down	As reported
Net revenue	$438,748	($6,324)		$432,424
Cost of revenue	172,153	(2,891)		169,262
Operating expenses	233,690			233,690
Amortization of goodwill & other purchased intangibles		10,183		10,183
Write-down of intangible assets			$63,322	63,322
Income (loss) from operations	32,905	(13,616)	(63,322)	(44,033)
Interest expense & other inc. (exp.), net	(3,695)			(3,695)
Income (loss) before taxes	29,210	(13,616)	(63,322)	(47,728)
Provision for (benefit from) taxes	15,773	(7,273)	(8,500)	0
Net income (loss)	$ 13,437	($6,343)	($54,822)	($ 47,728)
Earnings (loss) per share	$ 0.67	($ 0.32)	($ 2.72)	($ 2.37)
Weighted average shares outstanding	20,137	20,137	20,137	20,137

(1) Reflects 12 months of operating data without adjustment for acquisition-related items and the non-recurring write-down of goodwill and intangible assets. Includes a $5.2 million non-recurring charge to settle a lawsuit initiated in 1985. This subsequent event was announced September 28, 1992 and is reflected in reported fiscal 1992 results.

(2) Acquisition-related adjustments include amortization of goodwill and intangible assets as well as purchase accounting adjustments.

(3) Write-down of goodwill and intangible assets; see page 21 in Management's Discussion and Analysis of Financial Condition and Results of Operations for further information.

A Brief History

In September 1989, we were at a turning point. We acquired Data 3 as a means of embracing the IBM platform and taking advantage of the growing AS/400 market. Nonetheless, our customers needed products beyond our traditional offering of manufacturing business management systems on Digital VAX™ and Hewlett-Packard MPE computing platforms. Customers wanted software to help manage all aspects of their businesses and they wanted flexibility in terms of hardware and price. While we had an excellent track record in manufacturing, we also needed to offer our manufacturing applications for an open, hardware-independent environment; UNIX-based applications were especially important to our customers outside the U.S. and of increasing importance to our domestic customers. In order to meet these needs, ASK had begun a program to develop open systems applications.

When I returned to ASK three years ago as CEO, the U.S. economy was lackluster, especially in the manufacturing sector. I believed ASK's move toward open systems applications was good, but not enough. We needed to expand our software offerings beyond the manufacturing niche to be able to re-establish a leadership position as a world-class, growth software company. I believed then, and still do now, that a major area of opportunity for The ASK Group is in the relational database and development tools areas. Because all application software for all industries (including manufacturing) is developed with database software and application development tools, we were already knowledgeable in this market as users and saw the enormous continuing market opportunity as a supplier.

In October 1990, we acquired Ingres, the second largest independent supplier of relational database management systems (RDBMS) and application development tools. At the time, this acquisition provoked widespread skepticism. According to the naysayers, we acquired a financially unstable company, took on high levels of debt, and lost our business focus. Luckily, we had a strong, committed Board of Directors and excellent equity partners in the Hewlett-Packard Company (HP) and Electronic Data Systems (EDS) who understood the outstanding potential of our decisions. We also had an employee team that we feel is unequaled in our industry. Instead of one or two key employees, we have a team of key contributors. They believed we could make it happen. And we have made the acquisition a success.

Corporate Reorganization

In August 1991, we re-organized the Company into three decentralized, focused business units: Ingres, ASK Computer Systems (ASK) and Data 3. Each business unit has its own finance, sales, marketing, customer service, and R&D (research and development) functions. And each unit is run by a president: Dennis McGinn is president of Ingres; Eric Carlson is president of ASK, and David Sohm is president of Data 3.

The new structure allows each business unit to focus on its strengths and enhances entrepreneurial spirit. It provides many of the advantages of a larger company while maintaining the culture, flexibility, efficiencies, and momentum of a smaller entity. This was particularly important because we were putting together three companies with distinctly different cultures. We wanted to give them the flexibility to retain their individual identities.

Under the decentralized structure each business unit conducts its affairs in a manner that best serves its customers. Additionally, each business unit benefits from shared technology strengths and other shared knowledge to increase their respective competitiveness. To reflect the change in business structure and the diversification of the Company's operations, we have changed the Company's official name to The ASK Group.

Our Business Today

Today The ASK Group is truly a world-class software provider. Software is the most important and highest growth segment of the information technology industry. And within the software business we are covering some of the highest growth sectors. Our Ingres business unit is well-positioned to ride the growing needs for relational database software and associated tools and services. According to analysts, this market grew an estimated 24 percent last year and should see comparable growth over the next several years. Ingres gained market share by growing 39 percent in fiscal 1992, faster than the market rate. We are also well-positioned in the market for commercial software applications for manufacturing management which is expected to see renewed growth as the manufacturing economy improves. Both our ASK and Data 3 business units provide software that addresses this market opportunity.

About 47 percent of our business now comes from sales outside of North America: 40 percent in Europe and 7 percent in Asia/Pacific. But revenue is only one indicator of the global scope of our operations. Our R&D function is also distributed around the world with our three major development facilities located in North America, Europe, and Asia. In addition, during the past fiscal year, we signed an agreement with the Industrial Development Authority of Ireland to form a new subsidiary based in Dublin. ASK Ireland, Ltd. will bring manufacturing and distribution functions to Europe and is expected to decrease our response time for meeting European customers' needs. We also expect the new subsidiary to generate tax and other cost savings. The increasingly global focus to our business lets us offer sales, service, installation, and distribution services to our customers where they need them and when they need them.

Philosophy of Growth

We believe in quality growth. It's difficult for a company to internally grow faster than 25–30 percent for very long while still maintaining both a cohesive corporate culture and the kinds of processes and standards that make that company a good business partner, a sound investment, and a great place to work.

Our philosophy of growth has often been stated as minding our Ps and Qs. They bear repeating. We believe Quality Processes, Products, People, and Partners lead to Quality Profits. At The ASK Group we have translated this credo into action; for example, institution of a Product Life Cycle process to ensure quality; delivery of new products that recognize our customers' changing requirements; pay for performance; and partnerships with industry leaders. We believe that actions such as these and others will produce quality profits.

Growing profitably is especially important to us. Prior to acquiring Ingres, the combined gross margin for ASK and Data 3 was about 43 percent. It was that low because we sold total systems, including our software, and hardware we resold from Digital, HP, and IBM. But as hardware has become a commodity and as we move toward open systems, our software will operate on all the major hardware platforms, and we will continue de-emphasizing our hardware reselling activities (but not partnering). This process got a jump-start with the acquisition of Ingres, which sells only software and related services. An increasingly dominant part of our revenue, software and services translate into increased gross margins. This year our gross margin was 61 percent.

We plan to grow our product offerings through a mixture of internally developed products as well as products and technologies developed by others. Although our R&D organizations rank among the finest in the world, we refuse to suffer from the "not invented here" syndrome. We are not in the business of reinventing wheels — especially if those wheels are good ones. With world demand for software growing daily, the most important thing we can do for our customers is to provide them with advanced products as soon as possible. That's an important factor in our make vs. buy decisions. If a worthwhile product can be obtained through a license, joint venture, partnership or company acquisition, then we will weigh the economics of this action against internal development.

On a geographic basis, much of our recent growth has come from outside North America. In fact, international business was the fastest growing part of our business during the past two fiscal years. We expect to continue doing well in Europe and the Asia/Pacific region. However, with new products from ASK and reinvigorated, refocused sales and marketing efforts from Ingres and Data 3, we also look forward to renewed growth in the North American market.

How We Measure Ourselves

There are many ways to measure success in business. At The ASK Group we measure our performance based on five chief criteria: cash flow, profitability, company valuation, productivity, and quality. Each is critical. So let me turn in a report card for the past fiscal year.

The first measure of our success is cash flow. We always consider this measure to be important, but it takes on even greater weight during uncertain economic times. As we read about company after company facing a cash crunch, we want to ensure that The ASK Group never gets added to that list.

When we purchased Ingres we did it with cash instead of stock. A portion of the funds was raised by issuing stock to our business partners, Electronic Data Systems and Hewlett-Packard, and we had some cash on hand. The rest was borrowed. Many of our investors remember that we had arranged a $75 million line of credit to give us breathing room in case of unforeseen problems. Through aggressive cash management and improved collection policies, we ended up borrowing only about $60 million against the arranged credit line.

Taking on that much debt made a lot of people, including us, nervous. Our simple philosophy about cash and debt is that cash is better. Maybe it's because we are a company that started without venture capital. In the early days we could spend only what we had. In the case of acquiring Ingres, we felt it made sense to use available cash, leverage it with $60 million from EDS and HP, and incur debt to finance the rest. That way we had to relinquish only 30 percent ownership interest in our company. In contrast, if we had done a pooling of interests we would probably have had to give up more than 50 percent of our company to Ingres shareholders. So we decided that incurring debt and paying it back fast would produce a very good return for our investors.

And we have paid it back fast. This past fiscal year, we went from being a net borrower to a net investor. The Company generated $45 million in cash from operating activities, and applied $26 million of this against principal payments on bank borrowings. At June 30, 1992, we had a positive net cash position of nearly $8 million. The bottom line is we ended up with Ingres, which has nearly doubled in size since we bought it, and achieved a good net cash position.

One of the keys to generating cash was an increased focus on accounts receivable collections. When we acquired Ingres its receivable balance was the equivalent of 175 days sales outstanding (DSO). As of June 1992 the combined companies' DSO stood at 99 days. This reflects both an improvement in the quality of our receivables and Ingres' overall business practices.

Table 2: Change in Net Debt and Accounts Receivable Days Sales Outstanding

(Dollars in millions)

	6/92	3/92	12/91	9/91	6/91	3/91	12/90
(Net Debt) Net Cash	$7.8	($7.5)	($19.7)	($22.7)	($21.3)	($34.9)	($37.4)
Accounts Receivable DSO	99	100	108	143	105	115	136

In addition to generating cash from operations, we received additional funds in fiscal 1992 from our employee stockholders and equity partners, EDS and HP. Employees invested an additional $9.6 million in the Company through stock option and stock purchase programs, while EDS and HP endorsed our progress by purchasing $4 million more of newly-issued ASK shares during the year. This purchase maintains their ownership position of 20 percent and 10 percent, respectively.

And of course, when you don't need money everybody is happy to give you a loan. So, we recently used our stronger financial position to negotiate a new three-year $50 million unsecured revolving line of credit at favorable borrowing rates and cancelled the $75 million secured line. It will be used for working capital and to finance further Company growth.

Our second measure of success is profitability. Despite substantially growing our operating income this year (before the one-time write-down), I believe we have not yet lived up to our potential. Our goal is to return the Company to its historically higher levels of profitability. That means we need to strive for operating income that's about 15 percent of revenue. The goal (not a forecast) is to ultimately be at a 10 percent after-tax profit. In fiscal 1991, we were at an operating income level of 2 percent; in fiscal 1992 we were at 5.7 percent (before the non-recurring charges) nearly triple the year ago results.

Our third measurement of success is company valuation. Unfortunately, it has been a while since the Company was a darling of Wall Street. That's probably attributable to a number of reasons, not the least of which has been our "turnaround" status. The Ingres acquisition caused a lot of confusion about our financials. The confusion was compounded by a stockholder lawsuit trying to stop us from selling stock to HP and EDS in connection with the acquisition of Ingres. And in 1992, our goodwill write-off and our adoption of the SOP on revenue recognition for software maintenance contracts required some additional effort to understand our actual performance. Analysts also wondered when the ASK business unit would come out with new products. But now that the dust is settling, we believe that the Company is back on track.

The fourth way that we measure ourselves is productivity. Again, the numbers are quite respectable. Our fiscal 1992 revenue of $21.47 per share was among the highest in the industry. Our operating income (before the non-recurring charges) was $1.21 per share. These measures reflect that we have carefully controlled increases in equity shares outstanding and in our employment as we grow the Company. Our revenue per employee was about $190,000.

Our fifth key measurement is quality. With quality leadership as one of our major goals for the 90s, we initiated a corporate quality program two years ago. It's designed to provide continuous quality improvement in all our processes and products; and, most important, to ensure customer satisfaction. During the past fiscal year, the program produced significant results at all three of our business units.

Here's a brief review of the other activities of our business units.

Ingres

When we acquired Ingres many people doubted that we could make the acquisition a success. However, Ingres possessed a number of key attributes: participation in the rapidly growing UNIX and client-server market; beginning-of-life-cycle products; a strong international presence with a diversified client base; a committed, talented group of employees; and a potentially good purchase price.

These factors have combined to make Ingres perhaps the most successful leveraged purchase in the software industry. We purchased Ingres in October 1990 for a net cost of $112 million. Ingres had trailing four quarter revenue of about $158 million, but was very unprofitable. For fiscal 1992, Ingres had gross revenue of $261 million and was nicely profitable. By these and many other measures, Ingres has accomplished a dramatic turnaround in less than two years.

One of the most important factors in our acquisition decision was the fact that Ingres had beginning-of-life-cycle products. At the time, ASK, although financially sound, was in a mature phase of their product-life-cycle. In contrast, Ingres had numerous beginning-of-life-cycle products but the company was losing money. The theory was that we could use ASK's stability and revenue from mature products in part to support Ingres through its transition to profitability. By that time the ASK business unit would be ready to launch its new products. And that's exactly what happened. Ingres is profitable again, and we now have a healthy balance of products across the life-cycle spectrum: start-up products, growth products, and mature products. This provides a healthy framework for consistent, quality growth.

Long term, Ingres' success is tied to a steady stream of high quality new products. In November 1991 Ingres introduced version 6.4 of its intelligent, relational database management system (RDBMS). An industry first was achieved by making the product available simultaneously across all of the major mid-range computing platforms. Ingres also shipped its world-class development tools — INGRES/Windows4GL and INGRES/Vision — on all major platforms including the PC. Ingres' technology leadership is further differentiated by Ingres network access and gateway products that provide our customers with fully transparent, fully distributed access to company-wide business information.

Recently Ingres announced it will extend the capabilities of its RDBMS to manage multidimensional data. Multidimensional data refers to information such as maps, genetic diagrams and physical characteristics like height and weight for applications in medical imaging and geographic information systems (GIS). The GIS applications market alone is projected to reach $25 billion by 1997.

Ingres is also moving quickly to ensure that its products comply with evolving open architecture standards. In fact, many Ingres employees are active participants in the official bodies that define and set the new standards. Particularly important is Ingres' commitment to supporting ODBC (Open Database Connectivity). This is a major standard being promoted by Microsoft. Support of this standard means Ingres-based applications will interface directly with Microsoft applications, including Windows™-based applications.

The true beauty of Ingres' product strategy for the 90s cannot be fully appreciated without a reference to "rightsizing." Rightsizing refers to the industry migration trend down from mainframe environments to mid-range and desktop open systems environments and up from independent microcomputers to networked workstations. The traditional Ingres strengths in database, tools, and connectivity put it in a unique position to take advantage of the rightsizing movement.

Here's how it works. Ninety percent of the business information relevant to open systems is now stored in mainframe environments. Although customers don't want to dump their mainframes, they don't want to develop new strategic applications for them. They want new applications to run in an open systems environment, but they want the new applications to be able to access legacy data on the mainframes.

The Ingres database, tools, and connectivity products provide exactly this capability. A customer can use INGRES/Windows4GL or INGRES/Vision to develop an application that will run partially on a personal computer and partially on a server. A transparent gateway allows the application to access the legacy data stored on the mainframe. Any enterprise deploying strategic applications with rightsizing in mind should consider Ingres.

The Ingres edge comes from advanced technology. For example, we believe Ingres has a major lead over its competitors in the graphical tools area — both in the areas of enhanced productivity and portability. Ingres tools allow a developer to write an application once on a personal computer or workstation and run it across all the major windowing environments with little or no adaptation needed. This kind of capability is what open systems is all about. No other company can offer that kind of flexibility today.

Another key component in Ingres' open strategy, and a key to its strength in connectivity, is the Independent Software Vendors (ISV) program. The ISV program provides a framework for partnering with third-party vendors who develop direct interfaces from their products to the INGRES database — giving our customers access to Ingres data from a wide variety of decision support and application development tools on a variety of platforms.

In our partnerships with customers, Ingres is getting extremely good grades around the world for the trust it's building. People want to do business with us. This is no coincidence. During the past year, Ingres has vastly improved the reliability of its products and the quality of its support. And it's giving Ingres an excellent reputation as the best long-term global partner for business software solutions.

ASK Computer Systems

Our move into the relational database market and ultimate acquisition of Ingres began in concert with the development of next-generation applications products within the ASK business unit. These products would be based on RDBMS technology and be designed for a networked client-server environment. This development program was called ASK ADVANCE.

A principal objective of ASK ADVANCE was to offer our customers a choice of computing platforms, consistent with the advent of open systems. Our existing manufacturing business management system offering, MANMAN, is rich in functionality but currently available only for proprietary Digital and HP computing environments where market growth rates have slowed.

To grow software and services at a faster rate, we clearly need to deliver new products. During fiscal 1992 we laid the groundwork for this and divided the ASK ADVANCE development effort into several separate phases. The initial, and most time-sensitive of these phases, is to deliver an MRP II product for open systems environments on the INGRES database.

This market represents a large opportunity for The ASK Group. It is estimated that the market for UNIX manufacturing systems software and services will grow from $200 million in 1991 to $1.5 billion in 1995. This represents a growth rate of more than 60 percent annually, compared to a rate of growth of only about 12 percent annually for the manufacturing systems market as a whole. More important, our customers have told us that these estimates make sense; that is, they are eager for products that offer manufacturing functionality in an open systems environment.

We have completed the final phase of product readiness for the open systems market and in September 1992, MANMAN/X, our first UNIX-based manufacturing business management system offering, shipped. Both our customers and our people are excited about the new opportunities ahead.

ASK is uniquely positioned to capitalize on these opportunities with the following advantages: a large, loyal customer base; proven expertise in manufacturing applications; an unsurpassed reputation for customer service and support; a trained sales organization; established worldwide distribution channels; and strong business partners including EDS, HP, and Digital. Market readiness. Sales readiness. Product readiness and service readiness. These are the four key ingredients to a successful product launch.

The second goal of the ASK ADVANCE program is to perform the research necessary to create revolutionary new products for advanced manufacturing management, often called ERP or Enterprise Resource Planning. True ERP products will emerge over the next five years. We believe ASK currently leads the world in such research.

In addition to moving forward with ASK ADVANCE, we continue to invest in our core MANMAN products. During fiscal 1992, we implemented more than 100 user-requested enhancements in MANMAN/HP and MANMAN/VAX. The latest versions of these systems, HP release 8.2 and VAX release 8.4, also include a dynamic new user interface. It is designed expressly to improve ease of use and ease of training.

Over the years, as many of our customers have become more sophisticated in using MRP II systems, they have customized MANMAN for very specific applications unique to their particular businesses. Unfortunately, such modifications have made it difficult to upgrade to newer versions of MANMAN. We helped solve that problem during the past fiscal year with the release of a customization tool kit. It keeps track of all customer-made changes and merges them with changes in a new release. So it automatically allows MANMAN users to preserve their investment in existing modifications while more easily upgrading to the latest version.

As we become more of an open systems software supplier, we have de-emphasized the reselling of hardware, impacting the overall growth in revenue. The ASK business unit's total revenue declined 15 percent in fiscal 1992 compared to fiscal 1991, principally due to a 31 percent decline in hardware sales. While this decrease in hardware sales has a short-term negative impact on revenue growth, we believe that in the long-term it is positive. It allows us to focus on the sale of software and services, which offer higher margins.

Data 3

Today, the single largest market — by far — for MRP II software is the IBM AS/400. The numbers tell the story. To date, IBM has installed 150,000 of AS/400 computers worldwide. By many estimates, if IBM's AS/400 business was treated as a separate entity, it would be the second largest computer company in the world with revenue of about $17 billion.

In order to enter this exciting market, we acquired Data 3 and its SIM/400 product line in 1989. Key differentiators for Data 3 are its high quality standards, customer responsiveness and loyalty, and its status as an authorized IBM business partner. Data 3 has enhanced this status by being named the IBM Western Area Outstanding Business Partner in 1990 and receiving a Top Ten award in 1991.

Data 3 maintains its close relationship with IBM by following a two-prong strategy involving technology and distribution. On the technology side, the SIM/400 product line operates solely on the AS/400. So it's tuned directly to the AS/400 architecture and can take advantage of unique features such as the AS/400's integrated relational database. Most important, Data 3 keeps SIM/400 current with IBM's technological direction. For example, the entire SIM/400 user interface was recently redone to conform with IBM's SAA (Systems Application Architecture) and CUA (Common User Access) standards.

Since the acquisition, Data 3 has continued to make significant investment in enhancements and new products. Four new products and three major releases of SIM/400 have been delivered since 1990. These include innovative application products such as multicompany integrated SIM/400 Distributed Requirements Planning and client-server based SIM/400 Bar Code products. Last December, Data 3 introduced its first product to implement cooperative processing between the AS/400 and PCs — SIM/Windows. It allows SIM/400 applications to run within the Microsoft Windows environment bringing all of the advantages of the PC environment to AS/400 users.

The second prong of Data 3's strategy to stay close to IBM involves distribution, both through direct and indirect sales channels. And both channels require a focused sales organization. After an initial false start after the acquisition, we recognized the need for dedicated selling and services resources at Data 3 and we are now seeing the results of this focused activity.

In the international market, Data 3 sells its products through indirect sales channels. These consist of a network of 16 Affiliates in 22 countries. These Affiliates provide localized software sales and support in their markets. Many of the Affiliates are large, well-known firms that are IBM business partners in their own right. Working together, they have helped Data 3 obtain major multinational accounts with multiple installations in separate countries. The success of this approach is evident in the fact that more than 60 percent of Data 3's unit placements have been outside of the U.S. in each of the past two years.

Building on the success of its international Affiliates program, Data 3 implemented an Independent Marketing Representative (IMR) program in the U.S. last year. It extends coverage to those U.S. geographies where Data 3 does not currently have representatives. IMR's are typically IBM authorized Territory Agents who provide sales and presales support including response center, product updates, education and consulting services. In addition to expanding Data 3's sales reach, this program strengthens the strategic relationship with IBM and IBM's business partners.

Data 3 now has aggressive growth plans for the new fiscal year. Direct sales teams and indirect sales channels are expanding throughout the world. Morale is high. And momentum is building.

Managing Turnaround vs. Growth

Our experience shows that there's a big difference between managing a growth company and managing a turnaround company.

When growing a financially healthy company it's easy to slow down expense growth. If you get nervous about the economy or product demand slows for some other reason, you just delay filling personnel requisitions or temporarily freeze hiring or put off some capital acquisitions temporarily. In a turnaround situation, expenses are usually higher than revenue by definition. So proactive cuts in expenses (often people) are necessary.

There are tough decisions — do you grow revenue into expenses or do you cut expenses back to match revenue? That has to be balanced all the time; it's like walking a tightrope. Because if you cut too deeply, more people leave, morale plummets, your whole operation slows down and revenues decrease even further. It is a complex situation that requires careful and diligent management.

A New Plateau

I believe The ASK Group is now ready for a new plateau! We have new products and new opportunities in all three of our business units. Our future has never had so much potential.

We move into fiscal 1993 with an exceptionally strong foundation for addressing a wide array of opportunities. We possess the core technologies — relational database, 4GL and graphical development tools and business applications — to meet our customers' business information needs for the 1990s. We have embraced open systems, utilizing internal development, development partnerships, and technology acquisitions to reposition ourselves in those markets offering the best growth prospects. And we are now structured to take maximum advantage of our strengths.

With The ASK Group turnaround complete and the Company ready for new challenges ahead, it was time to appoint my successor. In July 1992, we announced with great pleasure the appointment of Pier Carlo Falotti as President and CEO of The ASK Group effective in September 1992.

Pier Carlo has been President and CEO of Digital Equipment Corporation's European operations since 1983. Under his leadership Digital Europe grew from $900 million to more than $7 billion in sales and from 25 percent to 50 percent of Digital's worldwide revenue. His track record is impressive by every measure. In addition to guiding Digital's European revenue growth, Pier Carlo executed some of the largest of Digital's joint ventures and acquisitions. He has also been the innovator of many new selling, service, training, and organizational methodologies and models that became corporate standards throughout Digital.

Most important, Pier Carlo began his 23 years with Digital in the field service organization so he shares our philosophy of listening to customers. Both his demonstrated success as a customer-oriented, motivating leader and his international background make him an outstanding choice to grow The ASK Group to the next stage in our evolution. I will remain active in the Company as Chairman.

Outlook

As stockholders of The ASK Group you can expect us to expand our portfolio of business software and development tools. We will make the necessary investments to ensure that each of our business units remains competitive and successful in its markets. And the most important of those investments will continue to be our employees whom I want to thank for their outstanding performance. The ASK Group today has a larger market opportunity, a more diversified, international customer base and a broader array of software and service products than at any other point in our history. We believe that by continuing to offer our customers quality business solutions we will continue to offer you a quality investment.

Thank you for your continued support.

Sincerely,

Sandra Kurtzig

Sandra L. Kurtzig

Chairman of the Board

Table 3: Revenue by Business Unit
(Dollars in millions)

	FY92	%	FY91	%
ASK Computer Systems				
Software Licenses and Services	$ 88.1	56%	$ 85.6	46%
Hardware	69.9	44%	101.9	54%
Total ASK	158.0	100%	187.5	100%
Data 3				
Software Licenses and Services	15.2	78%	14.8	71%
Hardware	4.3	22%	6.1	29%
Total Data 3	19.5	100%	20.9	100%
Ingres				
Software Licenses and Services	261.2	100%	187.9	100%
Total Software Licenses and Services	364.5	83%	288.3	73%
Total Hardware	74.2	17%	108.0	27%
Total – The ASK Group*	438.7	100%	396.3	100%
Ingres Purchase Accounting Adjustments:	(6.3)		(56.5)	
Total Reported – The ASK Group	$432.4		$339.8	

* Restated for AICPA SOP: FY92 and FY91 revenue includes 12 months of Ingres data before acquisition adjustments.

Table 4: Revenue by Geography
(Dollars in millions)

	FY92	%	FY91	%
ASK				
North America	$133.2	84%	$153.8	82%
Europe	17.4	11%	21.8	12%
Asia	7.4	5%	11.9	6%
Total ASK	158.0	100%	187.5	100%
Data 3				
North America	14.2	73%	14.2	68%
Europe	4.7	24%	6.7	32%
Asia	0.6	3%	0.0	0%
Total Data 3	19.5	100%	20.9	100%
Ingres				
North America	87.1	33%	72.5	38%
Europe	150.0	58%	101.1	54%
Asia	24.1	9%	14.3	8%
Total Ingres	261.2	100%	187.9	100%
Total North America	234.5	54%	240.5	61%
Total Europe	172.1	39%	129.6	33%
Total Asia	32.1	7%	26.2	6%
Total – The ASK Group*	438.7	100%	396.3	100%
Ingres Purchase Accounting Adjustments:	(6.3)		(56.5)	
Total Reported: The ASK Group	$432.4		$339.8	

* Restated for AICPA SOP; FY91 and FY92 revenue includes 12 months of Ingres data before acquisition adjustments.

FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ASK Computer Systems, Inc., also known as The ASK Group (the Company), consists of three decentralized business units: Ingres, ASK Computer Systems (ASK), and Data 3. The ASK and Data 3 business units develop, market, and support integrated information systems for manufacturing companies. The Ingres business unit develops, markets, and supports relational database software, data access products and application development tools. Collectively, the Company's revenue is derived from software license sales, computer systems sales, and sales of a full range of services. Computer systems sales include licensing of the Company's software and reselling/licensing of third party hardware and software products on a turnkey basis. Service revenue includes maintenance contracts (including updates to software products), on-line remote processing (ASKNET), education, technical support, application integration, and implementation consulting.

During its fiscal year ended June 30, 1992, the Company adopted the American Institute of Certified Public Accountants' (AICPA) Statement of Position on Software Revenue Recognition (the SOP). The primary impact of the SOP on the Company's financial statements is a change in the method of recognizing revenue on some maintenance contracts from recording the revenue when billed to recognizing the revenue ratably over the contract period. Financial statements for fiscal 1991 and 1990 have been restated to reflect this change in policy, as required by the SOP. See Note 1 of Notes to Consolidated Financial Statements for the impact of adoption of the SOP on fiscal 1991 and 1990.

The following table sets forth items from ASK Computer Systems, Inc.'s Consolidated Statement of Operations as percentages of net revenue.

	Years Ended June 30,		
	1992	1991	1990
Net revenue	100%	100%	100%
Cost of systems	23%	29%	47%
Cost of service	16%	13%	11%
Product development	8%	9%	8%
Selling, general and administrative	46%	44%	30%
Amortization of goodwill and other purchased intangibles	2%	3%	2%
Write-down of intangible assets	15%	–	–
Income (loss) from operations	(10%)	2%	2%
Interest and other income, net	0%	1%	1%
Interest expense	(1%)	(2%)	0%
Income (loss) before income taxes	(11%)	1%	3%
Provision for income taxes	0%	1%	2%
Net income (loss)	(11%)	0%	1%

On October 22, 1990, the Company substantially completed the acquisition of Ingres. Ingres' operating results are included in the accompanying consolidated financial statements from that date. The changes in the Company's consolidated results of operations for fiscal 1991 as compared to fiscal 1990 are due primarily to the inclusion of Ingres' operations from its date of acquisition unless otherwise explained.

Results of Operations

1992 vs. 1991

Revenue for fiscal 1992 increased $92,623,000 or 27% over that of fiscal 1991. Ingres, ASK, and Data 3 accounted for 59%, 37%, and 4%, respectively, of the fiscal 1992 reported revenue as compared to 39%, 55%, and 6%, respectively, of the fiscal 1991 reported revenue. If the fiscal 1991 pre-acquisition period revenue for Ingres were included, 1992 revenue would have increased 13% over 1991 and Ingres, ASK and Data 3 would have accounted for 44%, 50%, and 6%, respectively, of fiscal 1991 revenue, after consideration of the required purchase accounting adjustments.

Ingres' reported revenue increased 94% year-to-year and accounted for all of the increase in consolidated revenue. (If the fiscal 1991 pre-acquisition period for Ingres were included, Ingres' revenue net of purchase accounting adjustments would have increased 54% in the full twelve months of 1992 over that of the same period in 1991.) Ingres' systems revenue, which consists of software licenses, grew 45% as reported (18% if the pre-acquisition period were included) while service revenue increased by 345% on an as-reported basis. If certain acquired Ingres deferred maintenance contracts were not excluded as a consequence of purchase price accounting rules and if service revenue for the pre-acquisition period of fiscal 1991 were included, the increase in service revenue would have been 90%. Higher realization of revenue, net of discounts, as well as growth in the installed base, were the primary reasons for this significant increase in net service revenue. Service revenue includes maintenance contracts, training and consulting revenue.

Total revenue for the ASK business unit in fiscal 1992 declined 15% from that of fiscal 1991, with systems revenue decreasing 27% while service revenue grew 17%. Data 3 showed similar results, with total revenue and systems revenue declining 9% and 21%, respectively, while service revenue increased 32%. Systems revenue declined primarily due to the continuing de-emphasis of third party hardware revenue and flat software license sales. Management believes that it will be increasingly difficult to sell hardware in conjunction with its applications software as the trend toward open systems software grows and, therefore, does not expect this trend in hardware revenue to reverse. As such, these business units will be prospectively managed as a software and services business.

The Company's international presence continued to grow in fiscal 1992. International revenue, net of purchase accounting adjustments, increased 52% over fiscal 1991 and accounted for 49% of fiscal 1992 revenue as compared to 40% of revenue in fiscal 1991. (International revenue would have increased 32% in 1992 if the Ingres pre-acquisition period had been included in 1991.) Strong Ingres sales internationally were the primary reason for this growth. This international revenue growth has also increased the Company's exposure to the effects of foreign currency movements. The Company engages in an active cash management program to minimize the effects of these fluctuations.

Cost of systems consists primarily of the cost of resold hardware, royalties to third parties and amortization of software development costs capitalized under the provisions of Statement of Financial Accounting Standards No. 86 (FAS 86). As a percentage of the related revenue, cost of systems decreased from 37% in fiscal 1991 to 36% in fiscal 1992.

Cost of services for 1992 increased 67% over 1991. However, as a percentage of the related revenue, service cost declined to 45% of service revenue in 1992 compared to 57% in the prior year. Cost of service consists of direct costs of training and consulting as well as costs of customer support. While costs of training and consulting will vary directly with the amount of revenue generated, customer support costs are more fixed in nature. Therefore, the substantial increase in service revenue in 1992 over 1991 provided a larger base over which these fixed costs are spread, thereby leading to the decrease in cost as a percentage of revenue. In addition, during fiscal 1991 certain adjustments to Ingres' service revenue required by purchase accounting rules contributed to the relatively higher costs as percentage of revenue.

Product development expenses increased 19% in fiscal 1992 over fiscal 1991. Software development costs capitalized under the provisions of FAS 86 were $9,113,000 in 1992 as compared to $8,916,000 in 1991. Software development costs capitalized under FAS 86 vary from year to year depending on the timing and duration of beta testing of software products.

Before the adjustment related to FAS 86, product development costs were $44,686,000 and $38,844,000 in fiscal 1992 and 1991, respectively. The year-to-year increase is due primarily to the inclusion of Ingres for the full year in 1992 as well as general increases in salaries.

Selling, general, and administrative expenses increased $48,334,000 or 32%, in fiscal 1992 over fiscal 1991. Of this amount, $5,225,000 relates to the settlement of the stockholder class action litigation more fully described in Notes 8 and 12 of Notes to Consolidated Financial Statements. The remainder of the increase is substantially due to the inclusion of Ingres for the full year in 1992.

In the quarter ended December 31, 1991, the Company decided to discontinue certain existing Ingres products in connection with the introduction of new Ingres products and the formation of a new key product group. Also during that quarter, the Company evaluated the impact on the carrying value of certain of its assets in light of the increased trend within its industry to move toward UNIX-based systems and away from systems based on the proprietary platforms of the major computer vendors (e.g., Digital Equipment Corporation and IBM).

As a result, during this period the Company reassessed the carrying amounts and useful lives of certain intangible assets purchased in its prior acquisitions of NCA Corporation, Data 3 Systems, Inc. and Ingres Corporation, as well as goodwill from the NCA and Data 3 acquisitions. The reassessment resulted in the determination that the carrying value of the intangible assets and goodwill should be written down by $63,322,000.

The components of the write-down are as follows (in thousands):

	NCA	Data 3	Ingres	Total
Goodwill	$ 25,603	$ 12,244	$ –	$ 37,847
Purchased intangibles				
Workforce	129	684	–	813
Software	44	3,953	16,470	20,467
Trademark	–	–	4,195	4,195
	$ 25,776	$ 16,881	$ 20,665	$ 63,322

The write-down of goodwill and intangibles for NCA and Data 3 reflects that their products operate on proprietary (i.e., non-UNIX) operating system platforms. In September 1992, ASK began shipping MANMAN/X, a UNIX-based manufacturing business management system for the growing UNIX software applications market. The success of MANMAN/X is key to the Company's ability to grow its application software business.

The write-down of the acquired intangible assets at Ingres arose following the decision in the second fiscal quarter of 1992 to "sunset," or cease the sale and support of, Releases 6.0 through 6.3 of the Ingres RDBMS product and the abandoning of Ingres' stylized trademark. The "sunsetting" decision followed the successful launch of the new Release 6.4 product.

Amortization of goodwill and other purchased intangibles was $10,183,000 for fiscal year 1992 as compared to $11,102,000 in the prior year. The reduction in amortization expense during fiscal 1992 as compared to the year earlier was a result of the write-down of intangible assets during the quarter ended December 31, 1991.

The decrease in interest and other income during fiscal 1992 when compared to fiscal 1991 was due primarily to increased foreign exchange losses resulting from the Company's growth internationally. Additional factors included lower interest rates and a reduction in temporary investing activity due to the paydown of the Company's term loan.

The overall decline in interest rates coupled with the Company's continued principal payments on its term loan, incurred to finance the Ingres acquisition in October 1990, has resulted in lower interest expense in fiscal 1992 compared to fiscal 1991.

The Company's tax rate as a percentage of pretax income decreased from 98% of pretax income in 1991 to 0% of pretax loss in 1992. The pretax loss in 1992 included a one-time reassessment of goodwill and intangible assets, which is not deductible for tax purposes. Absent this one time write-down, the tax rate for 1992 would be 54% which compares to the 98% tax rate in 1991. The primary reason for the lower comparable tax rate in 1992 is the relationship of non-deductible items, including goodwill amortization, to the higher pretax earnings before consideration of the write-down.

1991 vs. 1990

Reported revenue for fiscal 1991 increased 66% over 1990. Systems revenue, which includes both software license and resold hardware revenues, increased 70% while service revenue increased 56%. Ingres accounted for 39% of net consolidated revenue in fiscal 1991 and 97% of the increase in revenue over fiscal 1990. Data 3 accounted for the remainder of the increase in revenue over fiscal 1990 as ASK revenue was essentially unchanged in fiscal 1991 from fiscal 1990. However, fiscal 1991 fourth quarter revenue for ASK increased 7% over the same quarter in fiscal 1990. Management attributes the slower than expected growth in ASK for the year to uncertainty over world events, including the Persian Gulf War, general economic conditions and the cumulative effect of sales management changes which hampered focused and consistent leadership within the ASK sales force for much of the year. During the fourth quarter of fiscal 1991, many of these situations were resolved and resulted in revenue growth patterns more in line with management expectations.

Cost of systems remained relatively constant between the two years in actual amounts expended. However, as a percentage of the related revenue, cost fell from 61% in fiscal 1990 to 37% in fiscal 1991. The acquisition of Ingres is the primary factor contributing to this decrease. Ingres' systems revenue is substantially all software and carries a relatively small cost factor.

Cost of service as a percentage of the related revenue increased from 45% in 1990 to 57% in 1991. The acquisition of Ingres led to this increase in two ways. First, Ingres' service revenue has greater related costs than that of ASK and Data 3 and, second, certain adjustments were required by purchase accounting rules to be made to Ingres' service revenue and costs which served to further increase its relative costs.

Product development expenses increased 81% in fiscal 1991 compared to fiscal 1990 and includes $1,600,000 of purchased in-process research and development that was expensed at the time of the acquisition of Ingres. Software development costs capitalized under the provisions of Statement of Financial Accounting Standards No. 86 (FAS 86) were $8,916,000 in fiscal 1991 compared to $2,203,000 in fiscal 1990. Software development costs capitalized vary from period to period depending on the timing and duration of beta testing of software products.

Before the adjustment related to FAS 86, product development costs increased 107% over fiscal 1990. This increase is attributable to the acquisition of Ingres, general increases in salaries and the continued expansion of the development efforts related to ASK ADVANCE.

Virtually all of the 143% increase in selling, general, and administrative expense is attributable to the acquisition of Ingres. Ingres accounted for 49% of consolidated selling, general, and administrative expense in fiscal 1991.

Amortization of goodwill and other purchased intangibles increased 182% over fiscal 1990. This increase is directly related to the goodwill and purchased intangibles arising from the acquisition of Ingres.

Interest expense became significant to the Company in fiscal 1991 due to the debt incurred to finance the acquisition of Ingres.

The Company's tax rate as a percentage of pretax income increased from 52% in fiscal 1990 to 98% in fiscal 1991. The primary reasons for the higher rate in 1991 are the increase in goodwill amortization, which is not deductible for tax purposes, and the change in the geographic mix of business between U.S. and foreign pretax earnings.

First Quarter of Fiscal 1993

Historically, the Company has experienced seasonal fluctuations in revenue. Typically, revenue in the first quarter of each fiscal year declines significantly from the fourth quarter of the previous fiscal year. A primary reason for this fluctuation is the decrease in European sales activity during the first quarter of each fiscal year. While it is difficult to predict the magnitude of the revenue decrease, the Company expects to experience a decline in sales and a loss in the quarter ended September 30, 1992 as compared to the quarter ended June 30, 1992.

Financial Condition

Cash and cash equivalents increased by $3.1 million at June 30, 1992 as compared to June 30, 1991. However, net cash, defined as cash and cash equivalents minus bank borrowings, increased from negative (net debt) $21.3 million at fiscal year end 1991 to positive (net cash) $7.8 million at fiscal year end 1992. This improvement was due primarily to cash generated from operations as well as cash from the issuance of stock under employee stock plans and the sale of 446,940 shares to EDS and Hewlett-Packard on the exercise of their contractual right to maintain certain stock ownership levels. Besides debt payments, the primary uses of cash were the continuing funding of software development costs and the purchase of capital equipment.

The Company intends to finance continuing operations through cash generated from operations, existing cash balances and available credit facilities. During June 1992, the Company entered into a new unsecured credit facility of $50 million, of which $19 million was outstanding at June 30, 1992. The Company believes that it will have adequate liquidity through internally generated funds and bank borrowings to fund operations through at least fiscal 1993.

UNAUDITED QUARTERLY RESULTS

(in thousands, except per share data)

	First(1) Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 1992:				
Net revenue	$ 74,911	$106,979	$108,164	$142,370
Cost of revenue	32,287	44,997	42,487	49,491
Income (loss) from operations	(7,689)	(60,719)	5,143	19,232
Net income (loss)	(4,086)	(53,779)	1,978	8,159
Income (loss) per share	$ (0.21)	$ (2.72)	$ 0.09	$ 0.36
Shares used in per share calculation(2)	19,486	19,772	22,135	22,361
Fiscal 1991(1):				
Net revenue	$ 43,343	$ 83,747	$ 87,023	$125,688
Cost of revenue	24,087	30,934	32,738	53,402
Income (loss) from operations	(379)	(145)	(2,288)	10,639
Net income (loss)	89	(309)	(492)	805
Income (loss) per share	$ 0.01	$ (0.02)	$ (0.03)	$ 0.04
Shares used in per share calculation(2)	13,503	17,680	18,948	20,230

FIVE YEAR SUMMARY

(in thousands, except per share data)

Year Ended June 30:	1992	1991(1)	1990(1)	1989(1)	1988(1)
Net revenue	$432,424	$339,801	$204,273	$184,155	$138,366
Cost of revenue	169,262	141,161	117,384	103,405	73,763
Product development	35,573	29,928	16,549	13,422	11,876
Selling, general and administrative	198,117	149,783	61,720	48,309	41,560
Amortization of goodwill and other purchased intangibles	10,183	11,102	3,938	2,409	2,336
Write-down of intangible assets	63,322	–	–	–	–
Income (loss) from operations	(40,033)	7,827	4,682	16,610	8,831
Interest income (expense) and other income, net	(3,695)	(3,273)	1,670	2,299	2,543
Provision for income taxes	–	4,461	3,306	6,702	3,008
Net income (loss)	(47,728)	93	3,046	12,207	8,366
Income (loss) per share	$ (2.37)	$ 0.01	$ 0.23	$ 0.90	$ 0.63
Shares used in per share calculation(2)	20,137	17,759	13,443	13,554	13,230
At June 30:					
Working capital	$ 30,540	$ 34,343	$ 42,594	$ 55,172	$ 36,504
Total assets	337,814	391,914	165,939	150,894	143,354
Total long-term debt and obligations	37,483	73,375	2,143	2,131	2,088
Stockholders' equity	132,304	160,712	104,124	98,969	85,904

(1) Restated to reflect the adoption of the AICPA's SOP on software revenue recognition. Also see Notes 1, 2 and 3 of Notes to Consolidated Financial Statements concerning the write-down of intangible assets, change in revenue recognition policy, acquisitions and accounting for income taxes.

(2) Loss per share is computed using the weighted average of common shares outstanding. Income per share is computed using the weighted average of common and dilutive common equivalent shares outstanding.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year ended June 30,		
	1992	1991	1990
		(restated)(1)	(restated)(1)
Net revenue			
Systems	$272,499	$264,063	$155,597
Service	159,925	75,738	48,676
Total revenue	432,424	339,801	204,273
Costs and expenses			
Cost of systems	97,625	98,164	95,647
Cost of service	71,637	42,997	21,737
Product development	35,573	29,928	16,549
Selling, general and administrative	198,117	149,783	61,720
Amortization of goodwill and other purchased intangibles	10,183	11,102	3,938
Write-down of intangible assets	63,322	–	–
Total costs and expenses	476,457	331,974	199,591
Income (loss) from operations	(44,033)	7,827	4,682
Interest and other income, net	1,068	1,864	1,930
Interest expense	(4,763)	(5,137)	(260)
Income (loss) before income taxes	(47,728)	4,554	6,352
Provision for income taxes	–	4,461	3,306
Net income (loss)	$(47,728)	$ 93	$ 3,046
Income (loss) per share	$ (2.37)	$ 0.01	$ 0.23
Shares used in per share calculation	20,137	17,759	13,443

(1) Restated to reflect the adoption of the AICPA's SOP on software revenue recognition.

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

(in thousands, except shares)

	June 30,	
	1992	1991
Assets		(restated)(1)
Current assets:		
Cash and cash equivalents	$ 27,743	$ 24,652
Accounts receivable, less allowance for doubtful accounts of $9,959 ($11,012 at June 30, 1991)	156,912	146,674
Inventory	2,078	2,362
Prepaid income taxes	–	10,193
Other current assets	11,834	8,289
Total current assets	198,567	192,170
Capitalized software development costs, net	9,383	7,109
Property, plant and equipment, at cost		
Land and buildings	3,015	2,910
Equipment	73,321	57,135
Leasehold improvements	6,833	5,993
	83,169	66,038
Less: accumulated depreciation and amortization	39,440	27,315
Net property, plant and equipment	43,729	38,723
Goodwill, net	48,681	90,799
Purchased intangibles, net	29,512	60,943
Other long-term assets	7,942	2,170
	$337,814	$391,914
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 121	$ 10,119
Accounts payable	31,731	40,537
Accrued payroll and related items	27,030	22,825
Income taxes payable	1,030	–
Sales and value added taxes payable	10,515	6,278
Other accrued liabilities	22,515	21,681
Current portion of other liabilities	3,120	2,493
Customer deposits	1,232	5,006
Deferred income taxes	4,555	–
Deferred revenue	66,178	48,888
Total current liabilities	168,027	157,827
Long-term debt, net of current portion	19,830	35,854
Other liabilities, net of current portion	7,432	7,876
Deferred income taxes	10,221	29,645
Stockholders' equity		
Common stock, $0.01 par value, 40,000,000 shares authorized; 21,138,133 outstanding (19,266,052 at June 30, 1991)	211	193
Additional paid-in-capital	121,479	108,576
Retained earnings	10,392	58,120
Less: treasury stock; 5,533 shares, at cost (35,000 at June 30, 1991)	(87)	(293)
Cumulative translation adjustment	309	(5,884)
Total stockholders' equity	132,304	160,712
	$337,814	$391,914

(1) Restated to reflect the adoption of the AICPA's SOP on software revenue recognition.

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except shares)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Cumulative Translation Adjustment	Total
	Shares	Amount			Shares	Amount		
Balance at June 30, 1989	13,123,112	$ 45,740	$ –	$ 61,734	–	$ –	$(1,752)	$105,722
Cumulative effect of change in accounting	–	–	–	(6,753)	–	–	–	(6,753)
Balance at June 30, 1989[1]	13,123,112	45,740	–	54,981	–	–	(1,752)	98,969
Recapitalization in State of Delaware	–	(45,978)	45,978	–	–	–	–	–
Issuance of stock pursuant to employee stock plans	146,239	371	830	–	–	–	–	1,201
Repurchase of common stock	–	–	–	–	(35,000)	(293)	–	(293)
Cumulative translation adjustment	–	–	–	–	–	–	1,201	1,201
Net income	–	–	–	3,046	–	–	–	3,046
Balance at June 30, 1990[1]	13,269,351	133	46,808	58,027	(35,000)	(293)	(551)	104,124
Issuance of stock, net	5,565,863	56	58,557	–	–	–	–	58,613
Issuance of stock pursuant to employee stock plans	430,838	4	3,211	–	–	–	–	3,215
Cumulative translation adjustment	–	–	–	–	–	–	(5,333)	(5,333)
Net income	–	–	–	93	–	–	–	93
Balance at June 30, 1991[1]	19,266,052	193	108,576	58,120	(35,000)	(293)	(5,884)	160,712
Issuance of stock, net	446,940	4	4,040	–	–	–	–	4,044
Issuance of stock pursuant to employee stock plans	1,498,358	15	9,853	–	71,223	1,273	–	11,141
Repurchase of common stock	–	–	–	–	(114,973)	(2,058)	–	(2,058)
Retirement of treasury stock	(73,217)	(1)	(990)	–	73,217	991	–	–
Cumulative translation adjustment	–	–	–	–	–	–	6,193	6,193
Net loss	–	–	–	(47,728)	–	–	–	(47,728)
Balance at June 30, 1992	21,138,133	$ 211	$121,479	$ 10,392	(5,533)	$ (87)	$ 309	$132,304

[1] Restated to reflect the adoption of the AICPA's SOP on software revenue recognition.

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended June 30,		
	1992	1991	1990
		(restated)(1)	(restated)(1)
Cash flows from operating activities:			
Net income (loss)	$(47,728)	$ 93	$ 3,046
Adjustments to reconcile net income (loss) to net cash provided by operating activities :			
Depreciation and amortization	31,175	23,141	9,349
Write-down of intangible assets	63,322	–	–
Expense of in-process technology	–	1,600	–
Loss on disposal of property, plant and equipment	401	861	1,053
Changes in assets and liabilities, net of effects of acquisitions of subsidiaries :			
Accounts receivable	(10,238)	(37,275)	(5,584)
Inventory	284	1,484	473
Prepaid income taxes	10,193	10,810	32
Accounts payable	(8,806)	4,860	2,943
Accrued payroll and related items	4,205	3,515	572
Income taxes payable	2,529	–	–
Sales and value added taxes payable	4,237	4,804	593
Other accrued liabilities	834	(16,601)	(3,658)
Customer deposits	(3,774)	2,727	(726)
Deferred income taxes	(14,869)	(7,155)	1,815
Deferred revenue	17,290	33,576	1,951
Other, net	(3,714)	4,308	2,564
Net cash provided by operating activities	45,341	30,748	14,423
Cash flows from investing activities:			
Capitalized software development costs	(9,113)	(8,916)	(1,625)
Capital expenditures	(16,493)	(6,299)	(4,125)
Acquisition of subsidiaries, net of cash acquired	–	(112,183)	(19,141)
Decrease in short-term investments	–	18,979	11,672
Net cash used for investing activities	(25,606)	(108,419)	(13,219)
Cash flows from financing activities:			
Proceeds from bank borrowings	–	66,000	–
Principal payments on bank borrowings	(26,023)	(39,833)	–
Principal payments on capital lease obligations	(2,249)	(1,049)	(1,841)
Issuance of stock, net	4,044	58,613	–
Issuance of stock pursuant to employee stock plans	9,642	2,237	1,201
Purchase of treasury stock	(2,058)	–	(293)
Net cash provided by (used for) financing activities	(16,644)	85,968	(933)
Net increase in cash and cash equivalents	3,091	8,297	271
Cash and cash equivalents at beginning of period	24,652	16,355	16,084
Cash and cash equivalents at end of period	$ 27,743	$ 24,652	$ 16,355

(1) Restated to reflect the adoption of the AICPA's SOP on software revenue recognition.

See accompanying notes.

1. *Summary of Significant Accounting Policies*

Principles of consolidation: The consolidated financial statements include the accounts of ASK Computer Systems, Inc., also known as The ASK Group (the Company), and all of its wholly-owned subsidiaries, after elimination of intercompany accounts and transactions.

Revenue recognition: Systems and software revenue is generally recognized upon product shipment unless the Company is required to install the software prior to customer acceptance, in which case the revenue is recognized upon installation. Fixed license fees from major end user customers and advance sublicense fees (minimum royalty payments) from OEMs and VARs are recognized as revenue when the software has been shipped, no significant vendor obligations remain to be fulfilled, certain customer criteria established by the Company have been met and the fees are payable or generally become payable within twelve months. Non-guaranteed per-copy sublicense fees from distributors, OEMs, and VARs are normally recognized as revenue when they are reported by the distributor, OEM, or VAR.

Maintenance revenues, including technical support and software update fees, are recognized ratably over the term of the contract. Other service revenues are generally recognized at the time the service is performed.

The Company has adopted the American Institute of Certified Public Accountants' (AICPA) Statement of Position on Software Revenue Recognition (the SOP). As required by the SOP, the Company recognizes revenue related to maintenance contracts ratably over the contract period instead of upon invoicing, as was its policy previously. The SOP also required the Company to restate its previously issued financial statements for all comparative periods to reflect this change in policy. The effect of the accounting change on net revenue, net income, and the related per share amounts for the years ended June 30, 1991 and 1990 are as follows (decrease in thousands, except per share data):

	1991	1990
Net revenue	$(4,132)	$(3,213)
Net income	$(2,559)	$(1,928)
Income per share	$ (0.14)	$ (0.14)

Foreign currency translation: Gains and losses resulting from foreign currency translation are accumulated as a separate component of stockholders' equity. Gains and losses resulting from foreign currency transactions are included in interest and other income, net, in the statement of operations for each of the three years presented. Net foreign exchange losses included in the statement of operations were $1,018,000, $473,000 and $369,000 in fiscal 1992, 1991 and 1990, respectively.

Income (loss) per share: Income (loss) per share is computed using the weighted average number of common shares outstanding during each period plus dilutive common stock equivalents (stock options) determined using the treasury stock method. Fully diluted earnings per share have not been presented as the differences are immaterial.

Cash equivalents: Cash and cash equivalents include cash and highly liquid investments with insignificant interest rate risk and original maturities of three months or less at date of investment.

Inventory: Inventory consists of purchased computers and computer peripheral equipment for resale to customers in conjunction with the license of software. Inventories are stated at the lower of standard cost (which approximates first-in, first-out) or market.

Property, plant, and equipment: Assets acquired prior to October 1, 1990, are depreciated as follows: equipment and leasehold improvements are depreciated through use of the sum-of-the-years digits method over the shorter of their estimated useful lives (primarily five years) or the applicable lease term. Buildings and furniture and fixtures are depreciated on a straight line basis over their estimated useful lives (primarily twenty-five and six years, respectively).

The Company modified its depreciation method and estimated asset lives to conform all depreciation methods following the acquisition of Ingres Corporation. Beginning October 1, 1990, newly acquired equipment and leasehold improvements will be depreciated on a straight-line basis over the shorter of their estimated useful lives (generally five years) or the applicable lease term.

Software development costs: The Company capitalizes software development costs in accordance with Statement of Financial Accounting Standards No. 86. Such costs are amortized on a straight-line basis over the estimated useful life which ranges from one to three years or the ratio of current revenue to the total of current and anticipated future revenue, whichever is greater.

The capitalization and amortization of software development costs for the years ended June 30, 1992, 1991, and 1990 are (in thousands):

	1992	1991	1990
Balance, beginning of period	$7,109	$1,116	$ 656
Software development costs capitalized	9,113	8,916	2,203
Amortization of capitalized costs	6,839	2,923	1,743
Balance, end of period	$9,383	$7,109	$1,116

Goodwill and purchased intangibles: Goodwill and purchased intangibles have resulted from the Company's acquisition of businesses accounted for under the purchase method. Purchased intangibles, including assembled workforces, software technology, distribution networks, trademarks, tradenames, and maintenance contracts are being amortized over lives ranging from three to fifteen years. Goodwill is being amortized over fifteen years.

In the quarter ended December 31, 1991, the Company reassessed the carrying amounts and useful lives of certain intangible assets purchased in its prior acquisitions of NCA Corporation, Data 3 Systems, Inc., and Ingres Corporation as well as goodwill from the NCA and Data 3 acquisitions. This reassessment resulted in the determination that the carrying value of certain of these assets should be written down in the amount of $63,322,000.

Concentration of credit risk: The Company develops, markets, and supports management information systems, relational database software, access products, and application development tools to customers in diversified industries, primarily in North America and Europe. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral.

Reclassifications: Certain fiscal 1991 and 1990 amounts have been reclassified to conform to the financial statement presentation in fiscal 1992.

2. *Business Combinations*

During the quarter ended December 31, 1990, the Company acquired all of the outstanding shares of Ingres Corporation (Ingres). Ingres, headquartered in Alameda, CA, develops, markets, and supports relational database management systems, application development, and data access products. This transaction has been treated as a purchase for accounting purposes. The purchase price of Ingres stock and related closing costs, less cash acquired was approximately $112,183,000. Goodwill and other long-term intangible assets resulting from this acquisition are being amortized over lives ranging from five to fifteen years. Operating results of Ingres are included in the accompanying consolidated financial statements beginning October 22, 1990.

On September 21, 1989, the Company acquired all of the outstanding shares of Data 3 Systems, Inc. (Data 3). Data 3, headquartered in Santa Rosa, CA, develops, markets, and supports integrated manufacturing software systems and support services for the IBM System 36, 38, and AS/400 computer systems. This transaction has been treated as a purchase for accounting purposes. The purchase price for Data 3 stock and related closing costs, less cash acquired was approximately $19,141,000. Goodwill and other long-term intangible assets resulting from this acquisition are being amortized over lives ranging from five to fourteen years. Operating results of Data 3 are included in the accompanying consolidated financial statements beginning September 21, 1989.

The following unaudited pro forma combined results of operations for the two years in the period ended June 30, 1991, give effect to the acquisition of Ingres as though it had occurred at the beginning of that period (in thousands, except per share data):

	1991	1990
Net revenue	$373,746	$355,062
Net loss	$(34,415)	$ (3,842)
Loss per share	$ (1.82)	$ (0.20)

The unaudited pro forma financial information is not necessarily indicative of the actual results that would have been achieved had the acquisition of Ingres been completed as of the beginning of fiscal 1991 or 1990.

3. *Income Taxes*

Effective July 1, 1988, the Company elected to adopt the method of accounting for income taxes pursuant to the Statement of Financial Accounting Standard No. 96 "Accounting for Income Taxes".

The provision for income taxes comprises, in thousands:

	1992	1991	1990
Current:			
Federal	$ 5,706	$ 4,423	$ 607
State	339	2,737	(164)
Foreign	(1,370)	1,586	832
	4,675	8,746	1,275
Deferred:			
Federal	(11,093)	(1,829)	939
State	(1,024)	(2,190)	1,090
Foreign	7,442	(266)	2
	(4,675)	(4,285)	2,031
	$ –	$ 4,461	$ 3,306

Deferred taxes are recorded to reflect temporary differences in reporting revenue and expense for financial statements and income tax purposes. The sources of these differences and the tax effect of each are as follows:

	1992	1991	1990
Deferred income resulting from timing of revenue recognition	$ 6,482	$(5,397)	$ 3,468
Expenses accrued for books	(1,579)	2,931	(1,447)
Depreciation	(1,078)	(1,819)	10
Intangible write-down	(8,500)	–	–
	$(4,675)	$(4,285)	$ 2,031

The Company's effective tax rate differs from the statutory U.S. federal income tax rate as follows:

	1992	1991	1990
Federal income tax statutory rate	(34)%	34%	34%
State taxes, net of federal income tax benefits	(2)	9	6
Tax exempt income	–	(6)	(8)
Tax credit	(1)	(4)	(6)
Net foreign losses not benefited	4	19	3
Goodwill amortization	3	34	24
Goodwill write-down	31	–	–
Other	(1)	12	(1)
Effective tax rate	– %	98%	52%

Foreign pretax income was $ 12,815,000, $2,698,000, and $2,726,000 in 1992, 1991 and 1990, respectively.

The Financial Accounting Standards Board has issued Statement No. 109, "Accounting for Income Taxes," which must be adopted for fiscal years ended after December 15, 1992. This accounting standard is not expected to have a material effect on the consolidated financial statements.

4. *Lease Commitments*

In June 1992, the Company signed a lease for a new facility which is scheduled to commence in July 1993 and terminate in June 2008.

Rent expense under noncancelable operating leases was $28,065,000, $22,945,000, and $7,289,000 in fiscal 1992, 1991 and 1990, respectively.

Future minimum annual lease payments under noncancelable operating leases are approximately $26,479,000, $18,490,000, $15,912,000, $12,683,000, $11,486,000, and $81,586,000 for fiscal years 1993, 1994, 1995, 1996, 1997, and thereafter, respectively.

5. *Long-term Debt*

Long-term debt and obligations consist of the following (in thousands):

	1992	1991
Revolving credit agreement	$19,000	$15,000
Term loan agreement	–	30,000
Other	951	973
	19,951	45,973
Less: current portion	121	10,119
Long-term debt and obligation	$19,830	$35,854

In June 1992, the Company entered into a new $50 million unsecured revolving credit agreement with a group of banks which expires June 30, 1995. This new agreement replaces the Company's previous term loan and revolving credit agreement on more favorable terms.

Amounts outstanding under the agreement bear interest, at the Company's option, at either the prime rate plus .5% per annum, the CD rate plus 1.75% per annum or the Eurodollar rate plus 1.5% per annum. Upon the Company's achieving certain financial ratios, each of these interest rates will be reduced by .25% per annum. At June 30, 1992, all amounts outstanding bear interest under the prime rate option at 7% per annum.

Interest is payable quarterly in arrears and principal amounts outstanding under the agreement are due upon the expiration of the agreement. In addition to interest, the Company must pay a quarterly commitment fee equal to .375% per annum on the average daily unused amount of the credit facility. At June 30, 1992, approximately $31 million remains available under the agreement for future borrowings.

The credit agreement contains affirmative and negative covenants and will, among other things, require the maintenance of certain financial ratios; limit net losses in specified periods; limit the Company's ability to incur additional debt, pay cash dividends, or to purchase or sell certain assets; and restricts certain acquisitions, mergers, consolidations, or similar transactions. The Company was in compliance with all covenants at June 30, 1992.

For each of the next five fiscal years, maturities of principal of long term debt are (in thousands):

1993	1994	1995	1996	1997	Thereafter
$121	$29	$19,031	$35	$38	$697

6. *Other Liabilities*

Other liabilities consist primarily of capital lease obligations and the non-current accrued rent liability for several of the Company's facilities.

The capital lease obligations are for machinery and equipment and are typically five-year arrangements which expire at various dates through 1997. Cost and accumulated amortization of capital leases included in property and equipment was $16,851,000 and $8,320,000 at June 30, 1992 and $13,292,000 and $5,744,000 at June 30, 1991. For each of the next five fiscal years, payments of principal and interest under capital leases are (in thousands):

1993	$3,594
1994	3,418
1995	1,700
1996	604
1997	226
Total minimum payments	9,542
Less amount representing interest	1,117
Present value of payments	8,425
Less current portion	3,120
	$5,305

7. *Stockholders' Equity*

Common Stock

On October 22, 1990, the Company sold to Electronic Data Systems Corporation, a Texas corporation (EDS), and Hewlett-Packard Company, a California corporation (HP), 3,710,575 shares and 1,855,288 shares, respectively, of its common stock. All proceeds from the sale of such shares were made available to fund, in part, the Company's purchase of all outstanding shares of Ingres Corporation. Under the terms of the agreement, each of EDS and HP are entitled to request one seat on the Company's Board of Directors so long as each maintains an ownership interest in the Company of at least 8% of the total voting stock of the Company. In January 1991, a representative of EDS was named to the Board.

During fiscal 1992, each of EDS and HP exercised their contractual right to maintain certain stock ownership levels of the Company's common stock through the purchase of 297,960 shares and 148,980 shares, respectively. Both stockholders have agreed not to acquire more than a specified percentage (EDS, 22%; HP, 11%) for a period of seven years from the date of the agreement. The agreement provides the Company with a right of first refusal with respect to certain transfers of its stock held by EDS and HP.

The Company has a Stockholder Rights Plan in which Common Stock Purchase Rights attach to shares of Common Stock. Each Right entitles the stockholders to buy one newly issued share of the Company's Common Stock at an exercise price of $45.00 if a person or group acquires beneficial ownership of 25% or more of the Company's Common Stock or announces a tender offer upon consumption of which such person or group would beneficially own 25% or more of the outstanding Common Stock of the Company.

Stock Option Plans

Employee stock option plans: The Company adopted a stock option plan in 1982 (the 1982 Plan) under which options for a total of 3,400,000 shares of common stock may be granted to employees. Options granted under the 1982 Plan are intended to qualify as incentive stock options and grants greater than the regulatory limits on incentive options are issued as nonstatutory options. Options are granted at no less than 100% of the fair market value on the date of grant. Options granted before January 14, 1991 are generally exercisable over five years from the grant date, except as described in the paragraph following the Table below; options granted on or after January 14, 1991 become exercisable over four years from the grant date. As of July 31, 1992, the 1982 Plan expired and no further options may be granted under the plan. No charges have been made to income in connection with the plan.

As a result of the October 1990 acquisition of Ingres Corporation, all Ingres stock options outstanding and the plans pursuant to which the Ingres options were granted were assumed by the Company, with all Ingres options exercisable for shares of the Company's common stock. Options under the Ingres plans were granted under conditions essentially equivalent to the the Company's 1982 Stock Plan. Information regarding the Ingres options assumed is included in the table below. No further options can be granted under the Ingres plans and option cancellations under the Ingres plans expire and are not added back to shares available for grant.

In August 1991, the Board of Directors adopted, and in November 1991 the stockholders approved, the 1991 Stock Plan (the 1991 Plan). Under the 1991 Plan, 2,000,000 shares have been reserved for issuance. The plan permits the Board or its designated committee to grant incentive or nonstatutory stock options, stock appreciation rights, restricted stock rights, stock bonus awards, and stock awards based on performance criteria as determined from time to time. As of June 30, 1992, only stock options have been issued under the 1991 Plan.

Director stock option plans: In 1986, the Company adopted a stock option plan under which options for a total of 150,000 shares of common stock may be granted to non-employee directors of the Company. Options granted under this plan are issued as nonstatutory options at a price equal to the fair market value on the date of grant. Options are generally exercisable over five years from the grant date. No charges have been made to income in connection with this plan.

Information with respect to the stock options is summarized as follows:

	Available for Grant	Aggregate Outstanding	Price	Price Per Share
Balance at June 30, 1990	519,348	2,786,475	$22,337,920	$ 6.75-16.875
Options assumed under Ingres Stock Option plan	-	1,733,921	6,969,699	0.425-10.90
Options granted	(2,346,620)	2,346,620	12,921,897	4.938-10.00
Options exercised	-	(215,620)	(1,207,486)	0.425-7.625
Options cancelled	2,372,636	(2,372,636)	(18,853,214)	0.425-16.875
Options expired	(315,327)	-	-	-
Balance at at June 30, 1991	230,037	4,278,760	22,168,816	0.425-16.875
Options granted	(741,360)	741,360	10,191,920	8.625-18.125
Options exercised	-	(1,171,064)	(6,335,500)	0.425-12.75
Options cancelled	310,533	(310,533)	(1,856,859)	1.416-18.125
Shares reserved	2,000,000	-	-	-
Options expired	(112,412)	-	-	-
Balance at June 30, 1992	1,686,798	3,538,523	$24,168,377	$0.425-18.125

On January 14, 1991, the Board of Directors granted optionees the right to exchange each then outstanding stock option with an exercise price greater than $4.9375 for a new option for 75% of the number of outstanding shares, exercisable at $4.9375. The new options are exercisable over three years from the grant date. The above table reflects the cancellation of 1,628,484 stock options and reissuance of 1,221,363 stock options in January 1991 under this program.

As of June 30, 1992, options for 1,189,983 shares were exercisable and there were 1,469 participants in the plans. As of June 30, 1991, options for 2,231,272 shares were exercisable.

Employee stock purchase plan: To provide U.S. employees with an opportunity to purchase common stock of the Company through payroll deductions, the Company established the 1990 Employee Stock Purchase Plan and initially reserved 250,000 shares of common stock for issuance to participants. In August 1991, the number of shares reserved for issuance under this plan was increased by 500,000. Under this plan, the Company's employees, subject to certain restrictions, may purchase shares of common stock at the lesser of 85% of fair market value at either the beginning of each two-year offering period or the end of each six-month purchase period within the two-year offering period. As of June 30, 1992, 525,826 shares have been issued under this plan.

In January 1992, the Board adopted the 1992 Overseas Employee Stock Purchase Plan and reserved 250,000 shares for issuance thereunder. This plan is substantially identical to the 1990 Plan, except that eligible employees are those of the Company's subsidiaries outside the U.S. This plan is not subject to shareholder approval. As of June 30, 1992, 15,338 shares had been issued under this plan.

All shares reserved for the Company's 1981 Employee Stock Purchase Plan have been issued and that plan has been terminated.

The ASK Group 401(K) Plan: The Company has a profit sharing retirement plan which allows voluntary contributions by all permanent U.S. employees who have met minimum employment criteria. This plan is intended to satisfy the requirements of Section 401(a) of the Internal Revenue Code of 1954, as amended (the Code), with a tax-deferred retirement savings feature intended to satisfy the requirements of Section 401(k) of the Code. Employees are able to participate through payroll deductions. At the end of each quarter, starting with the quarter ended March 31, 1992, the Company has agreed to contribute shares of its common stock in an amount equal to 50% of the first 3% of each participant's compensation contributed to the Plan up to a maximum Company contribution of $1,500 per participant per plan year. A participant vests in the amount contributed by the Company ratably over a five-year period starting from his hire date; however, stock contributed by the Company from January 1, 1992 through June 30, 1992 is fully vested.

For the year ended June 30, 1992, the Company contributed 72,571 shares of common stock with a value of $927,368 at the dates of contribution.

8. Contingencies

Three purported class action complaints, alleging damages to persons who purchased common stock of the Company during the period February 28, 1985 through April 3, 1985, were filed in the United States District Court for the Northern District of California against the Company, its directors, certain of its officers and others.

On September 20, 1985 the court dismissed all three complaints in their entirety and granted the plaintiffs leave to amend the complaints. The plaintiffs filed an amended consolidated complaint. On April 25, 1986, the court dismissed parts of the amended consolidated complaint. On December 29, 1986, the court issued an order granting summary judgement against certain claims asserted by the plaintiffs in the amended consolidated complaint and certifying certain other claims for class action treatment. Subsequently, one of the three original plaintiffs voluntarily dismissed all of its claims. Pretrial discovery proceedings are now completed (except with respect to expert discovery). All of the defendants have filed motions for summary judgement. The court has granted the motion for summary judgement filed by the outside directors who were named as defendants, but denied the motions for summary judgement as to the Company and the employee directors and officers named as defendants. The trial is scheduled to start September 9, 1992. (See note 12.)

On November 1, 1989, a separate purported class action complaint was served on the Company, alleging damages to the same class of stock purchasers and based on the same facts and circumstances as the earlier complaints. The new complaint, which was filed in the Superior Court of the State of California for San Mateo County, names the same defendants as the earlier federal court complaints and makes similar allegations regarding purported misstatements and omissions by the defendants. The complaint alleges causes of action under Sections 11 and 15 of the Securities Act. The court has granted defendant's demurrer to have the complaint dismissed without leave for the plaintiffs to amend. Counsel for the purported class has appealed that order. That appeal has been stayed by order of the Court of Appeals due to the bankruptcy of one of the parties, L.F. Rothschild, Unterberg, Towbin.

In the opinion of management the outcome of all of the above class action litigation will not materially affect the Company's consolidated financial position.

On February 13, 1992, Motorola, Inc. filed a complaint against Ingres Corporation and ASK Computer Systems, Inc. in Santa Clara County Superior Court. The complaint alleges various breach of contract and tort causes of action, allegedly arising out of a "Joint Marketing Agreement" between Ingres and Motorola, effective December 21, 1989. The complaint seeks unspecified damages and alleges losses to Motorola "in excess of $40,000,000." The Company and Motorola have signed a letter of intent to settle the dispute and are currently negotiating a definitive settlement agreement. The Company believes that the ultimate resolution will not have a material adverse effect upon the Company's consolidated financial condition.

9. *Transactions with Related Parties*

The Company purchases equipment from Hewlett Packard (HP) for use with several of its software products as a complete turnkey computer system. Approximately $19,928,000 and $33,998,000 of computer hardware was purchased from HP during fiscal 1992 and 1991, respectively. Amounts payable to HP of approximately $4,078,000 and $8,348,000 are included in accounts payable at June 30, 1992 and 1991, respectively.

Under an agreement commencing October 1, 1990, Electronic Data Systems Corporation (EDS) is to provide information technology services for the Company's data center, ASKNET, and corporate information systems through the ten year period ending September 30, 2000. Minimum annual commitments for information technology services under this agreement are approximately $4,095,000 per year through the remaining term of the agreement. Information technology service expenses were approximately $10,633,000 and $3,414,000 for the years ended June 30, 1992 and 1991, respectively.

Pursuant to the above agreement, EDS also performed other general information technology services for the Company during fiscal 1992 and 1991. Approximately $165,000 and $408,000 was earned by EDS for software development costs capitalized by the Company at June 30, 1992 and 1991, respectively.

Amounts payable to EDS of approximately $744,000 and $860,000 are included in accounts payable at June 30, 1992 and 1991, respectively.

Fees earned by professional service firms in which certain officers and directors of the Company are principals were approximately $436,000, $4,088,000 and $1,175,000 in fiscal 1992, 1991 and 1990, respectively.

10. Industry Segment and Geographic Information

The Company operates in a single industry segment and designs, markets, and supports a variety of software products including management information systems applications, relational database software, access products, and application development tools. No customer accounted for more than 10% of total revenue in 1992, 1991, and 1990.

Information regarding geographic areas for the years ended June 30, 1992, 1991, and 1990 is as follows (in thousands):

	North America	Europe	Other	Eliminations	Total
Year ended June 30, 1992					
Sales to unaffiliated customers	$230,491	$169,924	$32,009	$ –	$432,424
Intercompany transfers	364	–	–	(364)	–
Net revenue	$230,855	$169,924	$32,009	$ (364)	$432,424
Operating income (loss)[2]	$ (80,435)	$ 32,426	$ 3,976	$ –	$(44,033)
Identifiable assets	$205,029	$117,122	$15,663	$ –	$337,814
Year ended June 30, 1991[1]					
Sales to unaffiliated customers	$212,255	$103,532	$24,014	$ –	$339,801
Intercompany transfers	592	–	–	(592)	–
Net revenue	$212,847	$103,532	$24,014	$ (592)	$339,801
Operating income (loss)[2]	$(15,320)	$ 17,511	$ 5,636	$ –	$ 7,827
Identifiable assets	$271,704	$105,658	$14,552	$ –	$391,914
Year ended June 30, 1990[1]					
Sales to unaffiliated customers	$170,633	$ 21,436	$12,204	$ –	$204,273
Intercompany transfers	2,662	–	–	(2,662)	–
Net revenue	$173,295	$ 21,436	$12,204	$(2,662)	$204,273
Operating income (loss)[2]	$ 5,003	$ (359)	$ 38	$ –	$ 4,682
Identifiable assets	$146,521	$ 15,039	$ 4,379	$ –	$165,939

U.S. export sales were not material during fiscal 1992, 1991, or 1990.

(1) Restated to reflect the adoption of the AICPA's SOP on software revenue recognition.

(2) The operating income (loss) for North America includes amortization for goodwill and purchased intangibles of (in thousands) $10,183, $11,102 and $3,938 in fiscal years 1992, 1991, and 1990, respectively, and the write-down of intangibles of $63,322 in fiscal 1992.

11. Supplemental Cash Flow Information

Supplementary cash flow information includes the following (in thousands):

	1992	1991	1990
Net cash paid during the year for:			
Interest	$ 4,945	$ 4,114	$ 147
Income taxes	$ 4,351	$ 2,273	$ 2,618
Equipment acquired under capital lease agreements	$ 3,067	$ 1,397	$ –

Details of businesses acquired in purchase transactions are as follows:

Fair value of assets acquired	$ –	$238,034	$28,405
Liabilities assumed	–	117,941	8,597
Cash paid for acquisition	–	120,093	19,808
Less cash acquired	–	7,910	667
Net cash paid for acquisition	$ –	$112,183	$19,141

12. Class Action Litigation Settlement

In September 1992, the Company reached an agreement in principle regarding the settlement of the stockholder class action litigation filed in the United States District Court. (See Note 8.) The Company's cost of this settlement will be approximately $5,225,000. Such cost has been provided for as of June 30, 1992 and is included in selling, general, and administrative expense.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The responsibility for the integrity of the financial information included in this annual report rests with the Company's management. Such information has been prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and is based on the Company's best estimates and judgement after giving consideration to materiality.

The Company maintains systems of internal accounting controls supported by formal policies and procedures which are communicated throughout the Company. These controls are adequate to provide reasonable assurances that assets are safeguarded from loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control, based on the recognition that the costs of such systems should not exceed the benefits to be derived. The Company believes its systems provide this appropriate balance.

Ernst & Young, the Company's independent auditors, review and evaluate the Company's internal accounting control systems to the extent they consider necessary in order to support their opinion on the consolidated financial statements. Their auditors' report contains an independent informed judgement as to the fairness, in all material respects, of the Company's reported results of operations and financial position.

To further assure objectivity and remove bias, the financial data contained in this report have been reviewed by the Audit Committee of the Board of Directors. The Audit Committee is composed of three outside directors who meet regularly with management and Ernst & Young, jointly and separately, to review internal accounting controls and auditing and financial reporting matters.

The Company maintains high standards in selecting, training, and developing personnel to ensure that management's objectives of maintaining strong, effective internal controls and unbiased, uniform reporting standards are attained. The Company believes its policies and procedures provide reasonable assurance that operations are conducted in conformity with applicable laws and with its commitment to a high standard of business conduct.

REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
ASK Computer Systems, Inc.

We have audited the accompanying consolidated balance sheets of ASK Computer Systems, Inc. as of June 30, 1992 and 1991, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1992. 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 consolidated financial position of ASK Computer Systems, Inc. at June 30, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1992 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1992 the Company changed its method of accounting for software maintenance revenue recognition.

Palo Alto, California
July 29, 1992, except for Note 12, as to
which the date is September 8, 1992.

Ernst + Young

SELECTED CUSTOMERS

A.B. Dick Company

A.O. Smith Automotive Products Co.

Aérospatiale

Allied Distillers

Apple Computer, Inc.

Audi/Volkswagen

Australian Construction Services

B.P. Chemicals (Hitco), Inc.

Banque Nationale de Paris

Banque Paribas

Barclays Bank

Bekaert Corporation

Bell Canada

Bentley-Harris

Boeing Aerospace

Brazilian Inland Revenue Service

Buehler (Emerson)

Carnegie Mellon University

Cathay Pacific Airways

Chase Manhattan Bank

Chevron Corporation

China Light and Power

Chrysler Motors

Coors Ceramics Company

Crédit Lyonnais

Crystal Technology, Inc., A Siemens Co.

Cyanamid of Great Britain Ltd.

Cypress Semiconductor

Dana Corporation, Spicer Clutch Division

Darling Store Fixtures

Department of Planning and Housing, Victoria

Digital Microwave Corporation

Donnelly Corporation

DSM

E.G.&G., Inc.

Eastman Kodak

ECIA/P.S.A.

EDS/Opel

Emerson Electronic Motion Controls

Europe Combined Terminals

FMC

French Army

GE Government Electric

GEC

Genigraphics Corporation

GKN Computer Services, Inc.

Gorenje

Hardig Industries

Heineken

Hotpoint

Huck International, Inc.

IBC Vehicles Ltd.

ICI Americas

Instrumentation Laboratory

KB Alloys, Inc.

Kellogg School of Management

L'Oréal

Laser Precision Corporation

Lockheed Corporation

Lori, Inc.

Mannesmann Datenverarbeitung

Maxtor Corporation

Merck Sharp and Dohme (Australia) Pty. Ltd.

Mobil Oil Corporation

Nestlé Enterprises, Ltd.

Norsk Hydro

North America Packaging (Pacific Rim)

Outdoor Technologies Group

Peerless Chain Company-BRC

Philips Kommunikations Industrie

Phonic Ear, Inc.

Pitney-Bowes Mailing Systems

Poloroid Corporation

Qantas

Reemtsma

Rheem Australia Limited

Sainsbury

Saudi ARAMCO

Schlumberger Geco-Prakla

Seagate Technology International

Siemens

Silicon Valley Group

SmithKline Beecham

Stair Master® Sports/Medical Products, Inc.

Stock Exchange of Thailand

Sumitomo Chemicals

Swiss Life Insurance

SynOptics Communications, Inc.

Teradyne, Inc.

Thomas & Betts International, Inc.

Thorn EMI

TNT

US West

United Technologies/Turbo Power

Unitrode Integrated Circuits Corporation

Upright, Inc.

Victor Products Division of Dana Corporation

WCI

Welch Allyn

Western Digital Corporation

XRE Corporation

York Industries, Inc.

CORPORATE DIRECTORY

Board of Directors

Sandra L. Kurtzig
Chairman
The ASK Group

Pier Carlo Falotti
President and Chief
Executive Officer
The ASK Group

Paul C. Ely, Jr. [1, 2]
General Partner
Alpha Partners

Robert N. Sharpe [1]
Vice President
EDS Corp.

Thomas I. Unterberg [1]
Managing Director
Unterberg Harris

Robert H. Waterman, Jr. [2]
Chairman
Waterman & Miller, Inc.

Executive Officers

Sandra L. Kurtzig
Chairman
The ASK Group

Pier Carlo Falotti
President and Chief
Executive Officer
The ASK Group

Leslie E. Wright
Executive Vice President,
Chief Financial and
Administrative Officer
and Assistant Secretary
The ASK Group

Eric D. Carlson
Executive Vice President
The ASK Group
President
ASK Computer Systems

Dennis McGinn
Executive Vice President
The ASK Group
President
Ingres

David Sohm
Vice President
The ASK Group
President
Data 3

Corporate Officers

Scott C. Neely
Vice President, General
Counsel and Assistant
Secretary
The ASK Group

Braden L. Rippetoe
Vice President, Treasurer
The ASK Group

Larry W. Sonsini
Wilson, Sonsini, Goodrich
& Rosati, P.C.
Secretary
The ASK Group

Independent Auditors

Ernst & Young
Palo Alto, Calif.

Registrar and Transfer Agent

The First National Bank of
Boston
Boston, Mass.

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[1] Member of the Audit Committee

[2] Member of the Compensation Committee

WORLDWIDE SALES PRESENCE

SALES OFFICES:

UNITED STATES
Arizona
Phoenix
California
Alameda
Carlsbad
La Jolla
Los Altos
Los Angeles
Mountain View
Orange
Santa Clara
Santa Rosa
Stockton
Woodland Hills
Colorado
Englewood
Connecticut
Norwalk
Windsor Locks
Florida
Orlando
Georgia
Atlanta
Illinois
Fairview Heights
Oakbrook Terrace
Rosemont
Maryland
Hunt Valley
Rockville
Massachusetts
Burlington
Michigan
Troy
Minnesota
Minneapolis
Missouri
St. Louis
New Jersey
Iselin
Mt. Laurel
Saddle Brook
New York
Dewitt
Melville
New York City
Penfield
North Carolina
Cary
Ohio
Blue Ash
Independence
Oklahoma
Tulsa
Oregon
Lake Oswego
Pennsylvania
Exton
Monroeville
Pittsburgh
Texas
Dallas
Houston
Washington
Bellevue
Wisconsin
Onalaska

CANADA
Alberta
Calgary
British Columbia
Vancouver
Ontario
North York
Ottawa
Quebec
Point Claire

AUSTRALIA
Adelaide
Barton
Brighton
Brisbane
Canberra
Melbourne
Perth
Sydney

BELGIUM
Brussels
ENGLAND
London
Manchester
Milton Keynes
Winnersh
FRANCE
Boulogne
Paris
Rungis
GERMANY
Dusseldorf
Frankfurt
Hamburg
Munich
Norderstedt
Nuremburg
Stuttgart
HONG KONG
IRELAND
Dublin
ITALY
Milan
JAPAN
Tokyo
MALAYSIA
Petaling Jaya
THE NETHERLANDS
Nieuwegein
SINGAPORE
SWITZERLAND
Lausanne
Zurich
TAIWAN
Taipei
THAILAND
Bangkok

AUTHORIZED DISTRIBUTORS:

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Vienna

BRAZIL
Brasilia
Sao Paulo

CHILE
Santiago

CZECHOSLOVAKIA
Bratislava

DENMARK
Copenhagen

FINLAND
Helsinki

GREECE
Athens

HUNGARY
Budapest

INDIA
Bombay
New Delhi

INDONESIA
Jakarta

ISRAEL
Tel Aviv

JORDAN
Amman

KUWAIT
Safat

MALAYSIA
Kuala Lumpur

MEXICO
Mexico City

NEW ZEALAND
Auckland
Wellington

NORWAY
Oslo

OMAN
Ruwi

PEOPLE'S REPUBLIC OF CHINA
Beijing

PHILIPPINES
Manila

POLAND
Warsaw

PORTUGAL
Lisbon

SAUDI ARABIA
Dhahran
Jiddah
Riyadh

SLOVENIA
Ljubljana

SOUTH AFRICA
Sandton

SOUTH KOREA
Seoul

SPAIN
Barcelona
Madrid

SWEDEN
Gothenburg
Malmo
Stockholm

TAIWAN
Taipei

THAILAND
Bangkok

TURKEY
Istanbul

UNITED ARAB EMIRATES
Dubei

VENEZUELA
Caracas

AFFILIATES:

UNITED STATES

California
Rancho Cordova

Colorado
Denver

Illinois
Chicago

Missouri
St. Louis

Oregon
Portland

CANADA

Ontario
Cambridge
Mississauga
London
North Bay

AUSTRALIA
Sydney

ENGLAND
London
Milton Keynes

FRANCE
Paris

GERMANY
Frankfurt

INDONESIA
Jakarta

IRELAND
Dublin

ISRAEL
Tel Aviv

ITALY
Milan

MALAYSIA
Penang
Selangor

THE NETHERLANDS
Nieuwegein

PORTUGAL
Lisbon

SINGAPORE

SOUTH AFRICA
Sandton

SPAIN
Barcelona

THAILAND
Bangkok

GENERAL INFORMATION

Annual Meeting

The annual meeting of the stockholders of ASK Computer Systems, Inc. (The ASK Group) will be held on November 16, 1992 at the Company's headquarters located at 2440 W. El Camino Real, Mountain View, CA. All stockholders are invited.

For additional copies of this annual report, contact the Investor Relations Department, The ASK Group, 2440 W. El Camino Real, Mountain View, CA 94039-7640.

Form 10-K

A copy of the Company's Form 10-K, filed with the Securities and Exchange Commission, is available without charge upon written request to the Investor Relations Department, The ASK Group, 2440 W. El Camino Real, Mountain View, CA 94039-7640.

Market Price of Common Stock

The Company's common stock is traded on the NASDAQ National Market System under the symbol "ASKI." The high and low sales prices are as reported by the NASDAQ National Market System.

Fiscal 1992	**High**	Low
First quarter ended September 30, 1991.	$12.88	$ 7.88
Second quarter ended December 31, 1991.	$15.13	$10.75
Third quarter ended March 31, 1992.	$20.00	$13.75
Fourth quarter ended June 30, 1992.	$16.13	$ 9.88

Fiscal 1991	**High**	Low
First quarter ended September 30, 1990.	$10.25	$ 6.63
Second quarter ended December 31, 1990.	$ 7.38	$ 4.50
Third quarter ended March 31, 1991.	$ 8.63	$ 4.38
Fourth quarter ended June 30, 1991.	$ 8.88	$ 7.13

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MONTGOMERY SECURITIES
Vol. 23

COMPANY UPDATE
NETWORK COMPUTING SOFTWARE

Bill Shattuck (415) 627-2786
Doug Crook (415) 627-2988

December 8, 1992
DJIA: 3309
S&P 500: 435

THE ASK GROUP*

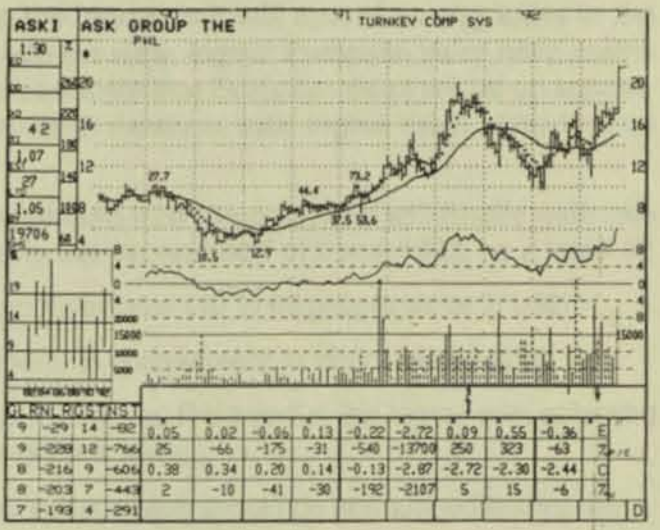
Rating: BUY

Traded:	OTC: ASKI
Recent Price:	$21-5/8
12-Mo. Price Range:	$22-10
Capitalization (9/30/92)	
Total Debt:	$10.8 million
Shareholders' Equity:	$124.8 million
Common Shares O/S:	22.4 million
Book Value/Share:	$5.18
Return on Avg. Equity:	N/M

Fiscal Year Ending 6/30		
Year	EPS	P/E
1992	($2.37)	N/M
1993E	$0.95	22.1
1994E	$1.35	15.6
Est. 1992-1995 Annualized Growth Rate:		22%
Dividend/Yield:		None

	Quarterly EPS		
	1991	1992E	1993E
Q1	$0.01	($0.21)	($0.36)A
Q2	(0.02)	(2.72)	0.15
Q3	(0.03)	0.09	0.31
Q4	0.04	0.36	0.83
Year	**$0.01**	**($2.37)**	**$0.95**

- The second quarter of fiscal 1993 is progressing well in both of the company's major business units, ASK and Ingres. In the ASK unit (manufacturing application software and systems), the level of market interest in the new, UNIX-based MANMAN X is building rapidly.
- We believe the company is likely to make two major new releases of MANMAN X in calendar 1993, an unusually aggressive schedule that is accelerated from original plans.
- Despite recent concerns of other analysts that European sales of database software will also be impacted by the European recession, we continue to believe that the Ingres unit will record strong sales in the December quarter, and into 1993.
- Despite past difficulties, we are increasingly optimistic that the company will finally gain some momentum in Ingres' North American sales during the second half of fiscal 1993, which should be very beneficial to the stock.
- We aggressively recommend purchase of the stock. With the stock currently valued at 16x our fiscal 1994 estimate of $1.35, we look for a 30%+ move in the stock over the next six months, as the company's MANMAN X strategy is validated and investors gain confidence in the new management team.



Courtesy Mansfield Stock Service,
Jersey City, New Jersey

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* Montgomery Securities currently maintains a market in this security.

Summary and Investment Conclusion

- **We believe that each division in The ASK Group is well positioned for future success.** Most of the major challenges faced by the company are in the marketing arena, and the new management team is taking aggressive action to meet these challenges. The analysis and conclusions presented in this report are based on recent extensive discussions with management from each division, one of the first customers for the company's new MANMAN X product, and independent market researchers.
- **Market interest in the new UNIX-based MANMAN X product is building very rapidly.** Although sales of MANMAN X will be constrained in the current quarter by the sales cycle, which is longer than normal in the current weak economy, we believe sales will ramp sharply in the second half of fiscal 1993 and generate approximately $12-14 million of license revenue for the full fiscal year.
- **We believe the company is likely to accelerate the development of MANMAN X and make two major releases in calendar 1993, an unusually aggressive schedule.** Specifically, we believe the company is likely to accelerate the release of Version 2 from September 1993 to March/April 1993, and also release Version 3 in late calendar 1993. This should further fuel growth in early fiscal 1994.
- The biggest fundamental risk for ASKI investors is the possibility of rapid erosion of MANMAN Classic-related products, particularly the proprietary minicomputer hardware systems that can be bundled with MANMAN Classic software—more rapidly than can be offset by the growth of MANMAN X. Although this is a clear area of risk, **we believe that a significant shortfall from current expectations will not occur.** We believe that MANMAN Classic remains attractive for a select group of customers and that it will receive a boost from Digital's introduction of the Alpha-based computer family. In addition, ASK management is taking aggressive steps to preserve the MANMAN Classic franchise.
- Despite recent concerns that European sales of database software will also be impacted by the European recession, **we continue to believe that the Ingres unit will record strong sales in the December quarter,** and into 1993. Consistent with our view, Ingres' European sales have continued strong through the end of November, and we estimate that European sales will be up approximately 40%. Combined with lackluster sales in North America, total Ingres sales should be up approximately 30%.
- Despite past difficulties, **we are increasingly optimistic that the company will finally gain momentum in Ingres' North American sales during the second half of fiscal 1993,** as a result of:
  - a substantial increase in the North American salesforce (40 to 65 people since 7/1/92);
  - an active effort to recruit value-added resellers, to complement its direct sales effort;
  - the decision of the new CEO Pier Carlo Falotti to act as President of the Ingres unit, reflecting an aggressive and needed hands-on management style;
  - the addition of a new VP of North American sales, which should be announced imminently.
- **Data 3,** the third and smallest division, which has been in a period of decline, **is poised for a turnaround.** Data 3 has strengthened its direct salesforce and eliminated channel conflict problems with IBM. In addition, it is offering a brand new version of its AS/400-based manufacturing product in a market that continues to expand. We project Data 3 revenues will grow 18% in fiscal 1993.

- **We have recently raised our fiscal 1993 second quarter EPS estimate from $0.10 to $0.15 and our full-year fiscal 1993 EPS estimate from $0.90 to $0.95.** We continue to rate the stock **BUY**. With the stock currently valued at 16x our fiscal 1994 estimate of $1.35, we look for a 30%+ move over the next six months, as the company's MANMAN X strategy is validated and investors gain confidence in the new management team.

ASK

MANMAN X Market Interest Building Rapidly

The early market response to MANMAN X has been very positive, and particularly promising for a complex product that the salesforce first heard about in July and the company only started shipping in September. ASK's primary obstacle in closing business is the natural length of the sales cycle, which has lengthened due to the recession, to 3-6 months for a relatively small manufacturer (e.g., $25-30 million) and 6-9 months for a larger manufacturer. ASK now has 11 customers with live installations of MANMAN X. This includes at least two in each major region (North America, Europe and Asia). Because the product is complex and installation is typically a new experience for both ASK and the customer, the company is carefully managing the installation ramp up.

Overall, the sales pipeline has grown faster than the company expected. Investors can expect to see the impact of this on the top- and bottom-line during the third and fourth quarters of fiscal 1993, when closing of MANMAN X sales should accelerate significantly.

MANMAN X Follow-on Product Development Accelerated

ASK is actually participating in complementary market segments with its MANMAN Classic and MANMAN X products. The original MANMAN Classic product excels in the repetitive style of manufacturing market and MANMAN X primarily addresses the complementary build-to-order manufacturing market.

However, we believe that MANMAN X product development is being accelerated to address the repetitive manufacturing market as well. ASK originally planned to introduce MANMAN X Version 2 in September 1993, but, based on discussions with the company, we believe this will likely be accelerated to March or April of 1993. We expect Version 2 to provide much more complete support for repetitive manufacturing environments. In addition, we now expect Version 3 to be released in September 1993. We believe this version will allow MRP data to be more easily integrated with financial, human resources, distribution and decision support data.

MANMAN X Will Enjoy Several Competitive Advantages

The product's **strong competitive position in the UNIX-based manufacturing software market** is based on three primary factors:

- **MANMAN X is a highly visible product** in a very crowded channel, because ASK is one of the largest and most respected vendors in the manufacturing software market. In contrast, most of the competitors in the UNIX-based manufacturing software industry are small regional companies such as Symex, Minx, and Datalogics, which do not have the market awareness and financial strength of ASK.
- ASK also enjoys **advantages over its large competitors.** SAP, for example, does not offer a full UNIX product at this time, but rather competes primarily in the proprietary mainframe market. Oracle has recently introduced a competitive product but has not yet built a significant position in the market (although we anticipate this in the future). QAD, an important competitor based in Santa Barbara California, offers an excellent product

and significant marketing assistance from Hewlett-Packard. However, QAD is far smaller than ASK, with only one tenth the installed base, and has far less brand recognition and fewer reference customers.

- **ASK is one of only a very few companies that offers both a full-function UNIX-based manufacturing software product and the worldwide service network to support it.** The technical barriers to entry are low for a small competitor to develop a "check-list" product because the requirements for an MRP product are widely known and understood. However, a critical differentiator, and a high barrier to entry, is the ability to provide first-rate, worldwide service and support.

MANMAN Classic Provides a Solid Installed Base on Which to Build

The ASK division has a formidable cash cow that provides ongoing market awareness, brand recognition, a solid revenue stream from which to launch MANMAN X, and a plethora of MANMAN X prospects. MANMAN Classic has an installed base exceeding 2,000 repetitive and process manufacturing sites worldwide.

Our discussion with the first MANMAN X customer in the U.S. provided an excellent example of the leverage provided by the installed base of MANMAN Classic customers. This customer was an existing MANMAN Classic account that was satisfied with the functionality of MANMAN Classic but had decided to upgrade its architecture to open systems. **The most prominent factor that influenced the customer's decision to select MANMAN X was its respect, based on its experience with MANMAN Classic, for ASK's proven expertise in manufacturing software.** ASK management is keenly aware of the advantage MANMAN Classic offers the company and is working to protect and exploit this advantage.

Nevertheless, ASK faces the risk that MANMAN Classic license revenues could decline much more rapidly than MANMAN X license revenues ramp up. ASK management realizes that it needs to respond to this challenge, and is attempting to turn MANMAN Classic from a marketing driven to a market driven business by listening more closely than ever to the needs of its customers. To help re-focus attention and revitalize sales of MANMAN Classic, ASK is about to launch a "rediscover MANMAN" program that includes new pricing alternatives.

Although this is an important area of risk for investors, we believe that MANMAN Classic remains an attractive turnkey solution that is appropriate for a select customer set, particularly because it requires very little technical support in comparison to many other products, including MANMAN X. Hence, MANMAN Classic is very appealing for a manufacturer that chooses not to maintain extensive in-house or third-party technical support. In addition, we believe that MANMAN Classic will receive a significant boost from Digital's recent introduction of the long-awaited Alpha-based computer family, which will greatly improve the price/performance of the MANMAN solution.

High Market Demand for Manufacturing Software

Opportunities are accelerating in the market for manufacturing software despite the fact that it is a more mature and competitive market than in ASK's early history. Throughout 1990 and 1991, customers were waiting for the major manufacturing software vendors to lay out their strategies for downsized and open systems. Much of this has occurred during the past 12 months, so many customers are now ready to make buying decisions.

Ingres

Ingres is Implementing a More Formal Structure

The Ingres business unit is introducing more formal management structures that we believe will help Ingres more fully exploit current market opportunities. The new Ingres management recognizes that the division has been loosely managed in the past and is determined to tighten up the organization.

One important structural change has been the **recent creation of a North American business unit**. In order to manage this unit, Ingres has embarked on a large scale marketing recruitment effort at the top and middle of the management hierarchy. One year after more than half of the North American sales force either left or were terminated, several operational changes are being instituted to make the current organization more effective. For example, customer services and marketing personnel have been placed in the same group in order to better coordinate the marketing approach to the customer. We believe that aggressive, proactive changes such as these will stimulate revenues in the North American market.

Ingres is Targeting the North American Market

Ingres is actively attempting to replicate its European success formula in North America. We believe that two steps in particular **will boost North American revenues**. First, Ingres has **increased the North American direct salesforce** from 40 to 65 people since this past July. The division has been highly selective in who it brought in and significantly raised the required experience level. In addition, Ingres will soon announce a new head of North American sales.

More importantly, we believe that **Ingres is directing the North American sales force to focus more heavily on recruiting value-added resellers (VARs) to complement its direct sales**. We enthusiastically support this strategy because we believe that increasing numbers of customers want to buy complete solutions, which VARs are able to offer, rather than building block components. Although Ingres has had a VAR program for several years, the program has not been very effective. The direct sales force used to be compensated only for selling development licenses to the individual VAR, which was not a sufficient incentive. **The new Ingres management team has changed the sales force compensation program to emulate that of Informix and Progress Software. As a result, the salesperson will be compensated on the "sellthrough,"** i.e., licenses generated as the VAR deploys applications to its customers.

We believe that the VAR community will be attracted to Ingres for two reasons: (1) the company offers a high-end database that can compete effectively against Oracle or Sybase; and (2) the company also offers an outstanding application development tool set (Windows/4GL), which is very attractive to VARs because it operates in the Windows environment and substantially reduces development time. We believe that the new emphasis on the VAR program will yield a higher quality and more productive group of VARs in all regions of the country, and thus generate significantly higher North American revenues. Specifically, we project that VAR revenue will expand from 10% of North American revenue in fiscal 1992 to 50% of revenue by the end of fiscal 1994.

European Market Conditions Remain Robust

European revenue at Ingres should grow more than 40% in the second quarter of fiscal 1993. The company has been benefiting broadly from the dramatic penetration of UNIX into the commercial processing arena. This phenomenon is occurring worldwide, but especially in Europe.

Ingres' growth in Europe remains very robust, despite the current economic recession afflicting the region, for two reasons. First, **the targeted customers in Europe are relatively resistant to recessionary cutbacks**. One third of its business is with the government, where large infrastructure projects have not been slowed down by current economic conditions. At the same time, Ingres' direct sales organization continues to see robust strategic purchasing in other targeted industries, including banking, finance and retail. Second, **Ingres benefits from a very strong distribution channel in Europe**. Its solid relationships with numerous powerful VARs and strategic partners give the company a marketing advantage over traditional competitors such as Sybase and Oracle. More than 50% of Ingres' European license revenues come from indirect channels. As a result, business has remained strong this quarter in the U.K. and Germany, despite the particularly weak German economy. Although sales in Scandinavia have been weak, this region represents a very small percentage of the total.

In fact, Ingres' biggest challenge in Europe is keeping its expense structure under control. Thus, management is currently concentrating on increasing profit margins while growing its revenue base.

Ingres Faces Marketing, Not Technical Challenges

Ingres' management is very aware that it suffers from image and brand awareness problems, particularly in North America. Among the RDBMS vendors, Oracle is perceived as the commercial leader, Sybase as the up and coming client/server company, Informix as the pure UNIX vendor and Progress as the integrated application development environment. In contrast, Ingres has been held back by a lack of clear positioning.

However, the company is taking several steps to remedy this problem. We believe the most important step is the renewed emphasis on a VAR program. These new relationships should significantly accelerate revenue growth. Second, a new ad campaign will highlight that Ingres is the only database vendor in its class that offers a graphics-based, object-oriented development tool. **We believe that Windows 4GL is a key advantage to Ingres**, especially as the Windows desktop becomes increasingly important. In the past, Ingres primarily focused on developing raw technology, as might be expected from a former UC Berkeley research project. In the future, Ingres intends to pay greater attention to more pragmatic user problems, such as opening up the product to other databases and porting it to other platforms.

Data 3

Data 3 Addressing Historical Weaknesses

The Data 3 business unit is rebounding from its recent decline and **we project that it will significantly increase revenues this year**. Management has made a number of significant changes that will impact the division. First, Data 3 has **restored its own sales force**—previously, its products were sold by the ASK sales force. We believe this is significant because the ASK sales force has traditionally focused on HP and DEC environments, while Data 3 sells into the IBM AS/400 market. Data 3 admits today that it lost sales opportunities due to the lack of focus on Data 3 products and the AS/400 market by ASK's sales force.

Data 3 was also fighting an uphill battle because of frequent channel conflicts with IBM. Data 3 is an Industry remarketer for IBM, which means both sales forces get credit for selling IBM hardware. The ASK salesforce that was selling Data 3 products expected the same courtesy in these situations as they received from HP and DEC. This turned out to be an erroneous assumption because ASK did not have the same leverage over IBM as it does with HP and DEC. In reality, IBM sales management always fought to maintain account control. Data 3 has finally recognized this problem and stopped trying to sell hardware upgrades in accounts where IBM initially installed the hardware. Instead, it is now refocusing resources on hardware upgrades where Data 3 made the initial AS/400 installation. As a result, management is already receiving more promising sales forecasts for hardware upgrades.

Data 3 Poised for Turnaround

Data 3 benefits from playing in the robust AS/400 market, which IBM states grew 12-14% last year. Moreover, we believe that the AS/400 manufacturing software market continues to expand, as evidenced by the success of AS/400-focused software companies such as System Software Associates.

Data 3 is ramping up for growth and we expect this will pay off. The division has recently **increased its sales force by 60%, added new products to its sales list and increased the number of distributors both overseas (up 33%) and domestically (up 130%).** A new release of the division's product this past October focused on ease of use and full compliance with accepted IBM standards, such as SAA/C-UA.

Based on all of these factors, we project that Data 3 revenues will increase 18% in fiscal 1993.

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THE ASK GROUP

Sales and Earnings Model

($000s)

FY 6/30			Fiscal 1991					Fiscal 1992					Fiscal 1993E					
	FY89	FY90	1Q91	2Q91	3Q91	4Q91	FY91	1Q92	2Q92	3Q92	4Q92	FY92	1Q93A	2Q93E	3Q93E	4Q93E	FY93E	FY94E
													<---HISTORICAL---	--- PROJECTED --->				
Revenue:																		
ASK Computer Systems:																		
Hardware			$21,834	$21,733	$20,282	$38,019	$101,868	$14,771	$16,829	$16,830	$21,529	$69,959	$10,144	$12,000	$12,500	$16,000	$50,644	$39,000
% ch. from prior year			4.9%	(15.4%)	(27.2%)	6.5%	n/a	(32.3%)	(22.6%)	(17.0%)	(43.4%)	(31.3%)	(31.3%)	(28.7%)	(25.7%)	(25.7%)	(27.6%)	(23.0%)
Licenses			$6,235	$8,323	$7,373	$13,995	$35,926	$6,136	$8,389	$7,377	$8,331	$30,233	$3,216	$6,600	$9,200	$16,000	$35,016	$45,000
% ch. from prior year			26.2%	7.7%	(19.3%)	22.6%	n/a	(1.6%)	0.8%	0.1%	(40.5%)	(15.8%)	(47.6%)	(21.3%)	24.7%	92.1%	15.8%	28.5%
Services			$11,751	$13,323	$12,398	$12,240	$49,712	$13,086	$15,044	$13,595	$16,131	$57,856	$13,494	$15,000	$17,000	$20,000	$65,494	$77,000
% ch. from prior year			17.3%	23.1%	11.8%	(4.1%)	n/a	11.4%	12.9%	9.7%	31.8%	16.4%	3.1%	(0.3%)	25.0%	24.0%	13.2%	17.6%
Total ASK Computer			$39,820	$43,379	$40,053	$64,254	$187,506	$33,993	$40,262	$37,802	$45,991	$158,048	$26,854	$33,600	$38,700	$52,000	$151,154	$161,000
% of total revenue			91.9%	51.8%	46.0%	51.1%	55.2%	45.4%	37.6%	34.9%	32.3%	36.5%	32.1%	28.3%	30.4%	29.7%	29.9%	26.6%
% ch. from prior year			11.3%	(1.9%)	(16.7%)	7.3%	n/a	(14.6%)	(7.2%)	(5.6%)	(28.4%)	(15.7%)	(21.0%)	(16.5%)	2.4%	13.1%	(4.4%)	6.5%
Data 3:			$3,523	$7,124	$3,668	$6,554	$20,869	$5,023	$4,227	$4,569	$5,652	$19,471	$4,005	$5,200	$6,300	$7,500	$23,005	$27,000
% of total revenue			8.1%	8.5%	4.2%	5.2%	6.1%	6.7%	4.0%	4.2%	4.0%	4.5%	4.8%	4.4%	4.9%	4.3%	4.6%	4.5%
% ch. from prior year			128.3%	54.0%	(22.3%)	21.3%	n/a	42.6%	(40.7%)	24.6%	(13.8%)	(6.7%)	(20.3%)	23.0%	37.9%	32.7%	18.2%	17.4%
Ingres:																		
Licenses			$19,135	$30,995	$33,028	$44,523	$127,681	$19,822	$37,075	$38,409	$63,631	$158,937	$28,689	$48,000	$49,500	$78,500	$204,689	$265,000
% ch. from prior year			n/a	n/a	n/a	n/a	n/a	3.6%	19.6%	16.3%	42.9%	24.5%	44.7%	29.5%	28.9%	23.4%	28.8%	29.5%
Services			$13,992	$13,425	$16,347	$16,464	$60,228	$22,397	$25,415	$27,384	$27,096	$102,292	$24,184	$32,000	$33,000	$37,000	$126,184	$153,000
% ch. from prior year			n/a	n/a	n/a	n/a	n/a	60.1%	89.3%	67.5%	64.6%	69.8%	8.0%	25.9%	20.5%	36.6%	23.4%	21.3%
Purchase actg. adjustment			($33,127)	($11,176)	($6,073)	($6,107)	($56,483)	($6,324)				($6,324)						
Total Ingres			$0	$33,244	$43,302	$54,880	$131,426	$35,895	$62,490	$65,793	$90,727	$254,905	$52,873	$80,000	$82,500	$115,500	$330,873	$418,000
% of total revenue			0.0%	39.7%	49.8%	43.7%	38.7%	47.9%	58.4%	60.8%	63.7%	58.9%	63.1%	67.3%	64.7%	66.0%	65.5%	69.0%
% ch. from prior year			(100.0%)	(15.5%)	10.8%	17.1%	n/a	n/a	88.0%	51.9%	65.3%	94.0%	47.3%	28.0%	25.4%	27.3%	29.8%	26.3%
Total Revenue	**$186,293**	**$204,273**	**$43,343**	**$83,747**	**$87,023**	**$125,688**	**$339,801**	**$74,911**	**$106,979**	**$108,164**	**$142,370**	**$432,424**	**$83,732**	**$118,800**	**$127,500**	**$175,000**	**$505,032**	**$606,000**
% ch. from prior year	n/a	9.7%	(34.5%)	(5.0%)	(5.3%)	12.1%	66.3%	72.8%	27.7%	24.3%	13.3%	27.3%	11.8%	11.0%	17.9%	22.9%	16.8%	20.0%
Cost of Revenues	$95,164	$106,236	$24,087	$30,934	$32,737	$53,403	$141,161	$32,287	$44,997	$42,487	$49,491	$169,262	$34,574	$44,906	$45,263	$55,300	$180,043	$207,252
% of total revenue	51.1%	52.0%	55.6%	36.9%	37.6%	42.5%	41.5%	43.1%	42.1%	39.3%	34.8%	39.1%	41.3%	37.8%	35.5%	31.6%	35.6%	34.2%
Gross Profit	$91,129	$98,037	$19,256	$52,813	$54,286	$72,285	$198,640	$42,624	$61,982	$65,677	$92,879	$263,162	$49,158	$73,894	$82,238	$119,700	$324,989	$398,748
Gross Margin	48.9%	48.0%	44.4%	63.1%	62.4%	57.5%	58.5%	56.9%	57.9%	60.7%	65.2%	60.9%	58.7%	62.2%	64.5%	68.4%	64.4%	65.8%
Operating Expenses:																		
Sales, Marketing & Admin.	$58,959	$72,868	$14,837	$42,185	$44,946	$47,815	$149,783	$38,853	$48,730	$48,073	$62,461	$198,117	$49,325	$54,648	$56,483	$74,725	$235,181	$284,820
% of total revenue	31.6%	35.7%	34.2%	50.4%	51.6%	38.0%	44.1%	51.9%	45.6%	43.0%	43.9%	45.8%	58.9%	46.0%	44.3%	42.7%	46.6%	47.0%
Research & Development	$13,422	$16,549	$3,638	$7,986	$8,371	$9,933	$29,928	$7,935	$8,157	$10,378	$9,103	$35,573	$10,493	$10,800	$11,300	$11,500	$44,093	$52,000
% of total revenue	7.2%	8.1%	8.4%	9.5%	9.6%	7.9%	8.8%	10.6%	7.6%	14.3%	6.4%	8.2%	12.5%	9.1%	8.9%	6.6%	8.7%	8.6%
Amortization of Goodwill		$3,938	$1,160	$2,787	$3,257	$3,898	$11,102	$3,525	$2,492	$2,083	$2,083	$10,183	$2,083	$2,100	$2,100	$2,100	$8,383	$8,400
% of total revenue		1.9%	2.7%	3.3%	3.7%	3.1%	3.3%	4.7%	2.3%	11.5%	1.5%	2.4%	2.5%	1.8%	1.6%	1.2%	1.7%	1.4%
Writedown intangible assets									$63,322			$63,322						
Total Operating Expenses	$72,381	$93,355	$19,635	$52,958	$56,574	$61,646	$190,813	$50,313	$122,701	$60,534	$73,647	$307,195	$61,901	$67,548	$69,883	$88,325	$287,657	$345,220
% of total revenue	38.9%	45.7%	45.3%	63.2%	65.0%	49.0%	56.2%	67.2%	114.7%	56.0%	51.7%	71.0%	73.9%	56.9%	54.8%	50.5%	57.0%	57.0%
Operating Income	**$18,748**	**$4,682**	**($379)**	**($145)**	**($2,288)**	**$10,639**	**$7,827**	**($7,689)**	**($60,719)**	**$5,143**	**$19,232**	**($44,033)**	**($12,743)**	**$6,346**	**$12,355**	**$31,375**	**$37,333**	**$53,528**
Operating Margin	**10.1%**	**2.3%**	**(0.9%)**	**(0.2%)**	**(2.6%)**	**8.5%**	**2.3%**	**(10.3%)**	**(56.8%)**	**4.8%**	**13.5%**	**(10.2%)**	**(15.2%)**	**5.3%**	**9.7%**	**17.9%**	**7.4%**	**8.8%**
Other Income (Expense)	$2,299	$1,930	$637	$374	$3,442	($2,589)	$1,864	$794	$1,152	($400)	($478)	$1,068	$752	($500)	($600)	($600)	($948)	($1,000)
% of total revenue	1.2%	0.9%	1.5%	0.4%	4.0%	-2.1%	0.5%	1.1%	1.1%	(0.4%)	(0.3%)	0.2%	0.9%	(0.4%)	(0.5%)	(0.3%)	(0.2%)	(0.2%)
Interest Income (Expense)		($260)	($104)	($1,131)	($2,216)	($1,686)	($5,137)	($1,192)	($1,410)	($1,010)	($1,151)	($4,763)	($637)	($500)	($500)	($400)	($2,037)	($2,000)
% of total revenue		(0.1%)	(0.2%)	(1.4%)	(2.5%)	(1.3%)	(1.5%)	(1.6%)	(1.3%)	(0.9%)	(0.8%)	(1.1%)	(0.8%)	(0.4%)	(0.4%)	(0.2%)	(0.4%)	(0.3%)
Pretax Income	$21,047	$6,352	$154	($902)	($1,062)	$6,364	$4,554	($8,087)	($60,977)	$3,733	$17,603	($47,728)	($12,628)	$5,346	$11,255	$30,375	$34,348	$50,528
Pretax Margin	11.3%	3.1%	0.4%	-1.1%	-1.2%	5.1%	1.3%	(10.8%)	(57.0%)	3.5%	12.4%	(11.0%)	(15.1%)	4.5%	8.8%	17.4%	6.8%	8.3%
Income Taxes	$7,557	$3,306	$65	($593)	($570)	$5,559	$4,461	($4,001)	($7,198)	$1,755	$9,444	$0	($5,051)	$2,138	$4,502	$12,150	$13,739	$20,211
Tax Rate	35.9%	52.0%	42.2%	65.7%	53.7%	87.4%	98.0%	49.5%	11.8%	36.0%	53.6%	0.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Net Income	**$13,490**	**$3,046**	**$89**	**($309)**	**($492)**	**$805**	**$93**	**($4,086)**	**($53,779)**	**$1,978**	**$8,159**	**($47,728)**	**($7,577)**	**$3,207**	**$6,753**	**$18,225**	**$20,608**	**$30,317**
Net Margin	**7.2%**	**1.5%**	**0.2%**	**(0.4%)**	**(0.6%)**	**0.6%**	**0.0%**	**(5.5%)**	**(50.3%)**	**1.8%**	**5.7%**	**(11.0%)**	**(9.0%)**	**2.7%**	**5.3%**	**10.4%**	**4.1%**	**5.0%**
EPS	**$1.00**	**$0.23**	**$0.01**	**($0.02)**	**($0.03)**	**$0.04**	**$0.01**	**($0.21)**	**($2.72)**	**$0.09**	**$0.36**	**($2.37)**	**($0.36)**	**$0.15**	**$0.31**	**$0.83**	**$0.95**	**$1.35**
% ch. from prior year	233.7%	(77.2%)	(99.9%)	(100.1%)	(100.2%)	(99.8%)	(97.7%)	(3281.4%)	n/m	(444.1%)	817.0%	n/m	70.4%	(105.5%)	243.5%	127.0%	(140.1%)	41.7%
Shares Outstanding (000)	13,554	13,443	13,503	17,680	18,948	20,230	17,759	19,486	19,772	22,135	22,361	20,137	21,200	21,500	22,000	22,000	21,675	22,500
% ch. from prior year	n/a	(0.8%)	167.1%	241.9%	266.6%	294.2%	32.1%	44.3%	11.8%	16.8%	10.5%	13.4%	8.8%	8.7%	(0.6%)	(1.6%)	7.6%	3.8%

MONTGOMERY
SECURITIES

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(BW)(ASK-GROUP)(ASKI) The ASK Group announces management changes; Pier Carlo Falotti assumes leadership of Ingres subsidiary

Business Editors and Computer Writers

MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)--The ASK Group (ASKI) Tuesday announced that President and Chief Executive Officer Pier Carlo Falotti has assumed additional responsibility as president of the corporation's Ingres operation in Alameda.

Also announced was the creation of a strategic alliances and business development function as well as the formation of a companywide technology council to leverage the technological expertise at The ASK Group's three businesses.

In addition to Ingres, a leader in the relational database management (RDBMS) and application development tools business, The ASK Group includes ASK Computer Systems of Mountain View and Data 3 of Santa Rosa. ASK and Data 3 specialize in manufacturing and financial management application software. Together, the companies reported revenue of $432 million for The ASK Group's fiscal year 1992, which ended June 30.

Falotti, who became president and chief executive officer of The ASK Group when founder Sandra L. Kurtzig retired last month, said the changes will better position the company ``to more quickly realize its abundant potential.''

``I have been energized by what I have found at The ASK Group,'' Falotti said. ``The market potential for database, open systems applications and application development tools has never been better. The changes we've made are ones I believe will accelerate the growth at all of our businesses.''

Falotti said he made the decision to assume personally the leadership role at Ingres in addition to his continuing involvement in growing ASK and Data 3 as president and chief executive officer of The ASK Group.

``I have come to the conclusion that there are things we must do to leverage and optimize the talent we have in order to accelerate our growth and exploit our potential,'' he said.

Ingres accounts for more than 60 percent of The ASK Group's total revenue. In the corporation's most recent quarter, ended Sept. 30, Ingres software license revenue increased by 45 percent.

Falotti said Dennis McGinn, who had been president of Ingres, will assume the position of executive vice president of strategic alliances and business development for The ASK Group, focusing on the development, identification and acquisition of partners, products and companies that would contribute to expansion of the company's product portfolio and distribution capabilities throughout the world.

In addition, he said Marilyn Bohl, senior vice president of worldwide engineering for Ingres, will assume the additional responsibility of forming and leading a companywide Technology Council to foster the technological synergies that exist among The ASK Group businesses.

The ASK Group is one of the largest software companies in the world. There are more than 2,300 employees in 90 offices who serve customers worldwide. The company's shares are traded publicly on the NASDAQ National Market System under the symbol ASKI.

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NEWS RELEASE

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ASK

FOR IMMEDIATE RELEASE

ASK INTRODUCES MANMAN/X

Full-Featured, Open, International Product And Service Offering Positions ASK For UNIX Applications Leadership

Mountain View, Calif. -- September 8, 1992 -- ASK Computer Systems, An ASK Company, today introduced MANMAN/X, a complete, UNIX-based manufacturing business management system that supports all aspects of manufacturing, works with multiple hardware platforms and databases, and fulfills the needs of multinational manufacturers. ASK also announced the availability of MANMAN/X Advantage, a comprehensive, global service program for MANMAN/X users, consisting of installation, education and a tiered support offering.

A complete manufacturing business management system, MANMAN/X consists of 27 modules that automate the entire manufacturing process, including planning and costing, engineering control, project control, inventory, shop floor control, sales management, purchasing, finance, customer service and maintenance. MANMAN/X expands ASK's solutions portfolio to four product lines including MANMAN HP, MANMAN VAX and MAXCIM. Since announcing in July its intention to target the $1.5 billion UNIX applications market, ASK has already delivered MANMAN/X to selected customers.

(more)

"In its first year, we are confident that MANMAN/X will prove a major market success, generate significant revenue and establish ASK as the UNIX manufacturing applications leader," said Eric Carlson, president of ASK Computer Systems. "We have lined up all the elements necessary to meet our goals -- a complete product, worldwide service, industry partners and international development resources."

Based on an open, modular architecture MANMAN/X Release 1.0 supports UNIX platforms from Hewlett-Packard, Digital, and IBM. At first release, MANMAN/X's open architecture supports the INGRES Intelligent Database and the ISAM file system.

MANMAN/X is a world-class product that supports concurrent operation in multiple languages including, at first shipment, French, German, U.K. and U.S. English. MANMAN/X also fulfills local business requirements such as tax laws, reporting practices and methods of payment. To further support MANMAN/X outside the U.S., the company today announced the opening of technology development centers in Europe and Asia and a worldwide distribution program.

MANMAN/X is packaged with two levels of user tools called Foundation and Customizer. Part of the MANMAN/X base system, Foundation enables modification of tables, the data dictionary and security features of the product. The Customizer enables users to modify menus, screens and reports. These tools are database independent and are aimed at users developing applications which are tightly integrated with MANMAN/X.

(more)

As a sister business unit, ASK worked closely with Ingres to ensure MANMAN/X's support of the INGRES Intelligent Database. The two companies collaborated on optimizing MANMAN/X's access to INGRES data, using OpenSQL.

In addition to MANMAN/X's inherent database-independent tools, INGRES/Windows4GL, Ingres' innovative GUI-based tool and INGRES/Vision, a character-based tool, are available to users who need to develop new applications that run with MANMAN/X. As a result, users enjoy transparent access to relational data and programmer productivity gains in integrating MANMAN/X with other applications. Where appropriate, Ingres will participate with the ASK sales force in joint selling situations.

"The joining of the INGRES Intelligent Database, the technology leader among relational databases, and MANMAN/X is an unbeatable combination for companies looking to get the most from their information systems investment," said Dennis McGinn, president of Ingres. "ASK's successful introduction of MANMAN/X on INGRES continues to demonstrate the synergy between our two companies."

The worldwide service program unveiled today provides customers with a choice of comprehensive services. Available on October 1, these services include 15 service products such as installation and implementation, 28 different scheduled training courses at ASK Education Centers worldwide, and MANMAN/X Advantage -- a tiered service and support program that offers worldwide Response Center support, on-line documentation and product upgrades.

(more)

Pricing and Availability

MANMAN/X will be available from ASK within 60 days. MANMAN/X will be sold directly from ASK sales offices in 15 countries. Additionally, ASK is adding selected value-added resellers as selling partners to complement existing direct sales. Pricing is user-based and starts at $25,000 for an 8-user system. For a 128-user system, MANMAN/X is typically priced at $250,000 - $300,000.

ASK Computer Systems, An ASK Company, supplies comprehensive manufacturing business management systems to companies around the world. In addition to MANMAN/X, the company's product suite includes MANMAN HP, MANMAN VAX and MAXCIM. The ASK Companies is one of the 10 largest software companies worldwide, with annual revenues of $432 million. It is a publicly-held company, traded on the NASDAQ national market system under the symbol "ASKI."

# # #

ASK and MANMAN are registered trademarks of ASK Computer Systems, Inc. MAXCIM is a registered trademark of NCA Corporation. INGRES is a registered trademark of Ingres Corporation.

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NEWS RELEASE

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ASK

FOR IMMEDIATE RELEASE

ASK TARGETS INTERNATIONAL MARKET WITH MANMAN/X

Mountain View, Calif. -- September 8, 1992 -- ASK Computer Systems, An ASK Company, today announced a move to establish leadership in the global manufacturing software market with plans to localize MANMAN/X for the European and Asia/Pacific markets. MANMAN/X, ASK's new, open manufacturing business management system, is specifically designed to fulfill the language and business requirements of manufacturing companies in multiple geographic markets.

Today's introduction of MANMAN/X positions ASK for leadership in the $1.5 billion worldwide market for UNIX manufacturing applications. As part of the MANMAN/X introduction, ASK announced the opening of software development centers in Europe and Asia and reseller recruitment initiatives to support these regions.

(more)

"We have gone to great lengths to provide an international product that supports foreign languages and meets the business demands of local markets worldwide," said Eric Carlson, president of ASK Computer Systems. "By putting our new development centers closer to international customers, we are able to understand and respond to their needs better. An international product and local presence overseas will also help us achieve our goal of growing international operations to 50 percent of business unit revenue."

To support the European market, ASK is introducing French, German and U.K. English versions of MANMAN/X to be available by December 1992. MANMAN/X will also support local business requirements such as tax laws, reporting practices and methods of payment. ASK has also opened a European development center for MANMAN/X that will focus on incorporating specific local requirements into products, managing relations with European partners, and enhancing existing service and support activities. The development center, located in Neiwuwegein, The Netherlands, will employ up to 15 people and will report to Graham Page, managing director of ASK's European operations.

"The international design of MANMAN/X, coupled with the development resources of the European center and our worldwide reputation for customer service, will position ASK very positively in the European market," said Page.

ASK currently employs 100 people in Europe with established offices in the U.K., Germany, Ireland, France and The Netherlands.

(more)

To support the Asia/Pacific market, ASK is opening a development center in Singapore to focus on double-byte and Asian language support activities. Part of Ingres' Asiatech operation, the development center will employ up to 15 people and will report to Lindsay MacDermid, vice president of ASK's Asia/Pacific operations. ASK has also opened an office in Hong Kong, recruited distributors in Thailand and Malaysia and will continue to sell through direct channels in Singapore and Australia.

"MANMAN/X will allow ASK to expand its presence in the Asia/Pacific manufacturing market," said MacDermid. "MANMAN/X is designed to provide manufacturers in this region with the functionality they need; support for international languages and business practices, and the capability to support make-to-order and engineer-to-order manufacturing."

ASK currently employs 48 people in its Asia/Pacific region with established offices in Singapore, Taiwan, Thailand, Malaysia, Hong Kong and Australia.

The company has signed an agreement with BAAN International NV to supply software technology to assist ASK in bringing MANMAN/X to market. Based in the Netherlands, BAAN develops manufacturing applications and computer-aided software engineering tools for open environments.

(more)

ASK Computer Systems, an ASK Company, supplies comprehensive manufacturing business management systems to companies around the world. In addition to MANMAN/X, the company's product suite includes MANMAN HP, MANMAN VAX and MAXCIM. The ASK Companies is one of the 10 largest software companies worldwide, with annual revenues of $432 million. It is a publicly held company, traded on the NASDAQ national market system under the symbol "ASKI."

# # #

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ASK Computer Systems

Introducing MANMAN/X

ASK Computer Systems

MANMAN/X Is An Addition To ASK's Product Portfolio

- MANMAN/X
- MANMAN HP
- MANMAN VAX
- MAXCIM

ASK

ASK Computer Systems

Company Strengths

- Manufacturing Experience
- Customer Service and Support
- Partners
- Product Development Process (Product Life Cycle)

ASK

New Product Line

MANMAN/X

- Open
- Flexible
- International
- Enables manufacturers to be more responsive to worldwide customer demands.

ASK

New Product Line

Manufacturing Market Demand For UNIX

- Business systems market growth driven by demand for UNIX
- UNIX is rapidly becoming a customer requirement
- UNIX Manufacturing Software Market Projected To Grow From <$1 Billion In 1991 To $4-5 Billion In 1995. (Source: InfoCorp)

ASK

MANMAN/X

Market Opportunities

- New Technology Requirements
  - UNIX
  - RDBMS
  - 4GL Development Environment
- Increase International Presence
- New Manufacturing Methods
  - Engineer-to-order
  - Manufacture-to-order
- New Manufacturing Models (Customer-driven Manufacturing)

MANMAN/X

Functional Areas

- Planning And Costing
- Engineering Control
- Project Control
- Inventory
- Shop Floor Control
- Sales
- Purchasing
- Finance
- Service And Maintenance

ASK

MANMAN/X

Product Strengths

- Complete Product At Introduction
- Choice Of Operating Systems, Hardware Platforms and Databases
- International Capabilities
  - Multiple Languages
  - Multiple Currencies
  - Localizations
- Worldwide Service and Support From First Day

ASK

MANMAN/X

Product Strengths (Cont.)

- Flexibility
  - Modular Architecture
  - Support For Mix of Manufacturing Methods
  - User-based Pricing
  - MANMAN/X Tools
- Rules-based Product Configurator
  - User-defined Options Tables
  - Automatic Generation Of Custom Bills-of-material, Costed Routing and Document Descriptions.

MANMAN/X

Additional Features

- Customizable Procedures
- Work Center Calendars
- Actual Cost To General Ledger
- Statistical Inventory Control
- Financial Report Writer

ASK

MANMAN/X

Release 1.0 Highlights

- Platforms
  - Digital UNIX
  - Hewlett-Packard UNIX
  - IBM RS/6000 UNIX
- Databases
  - INGRES
  - ISAM
- Languages
  - U.S. English
  - U.K. English
  - French (12/92)
  - German (12/92)
- Other Features
  - Repetitive Manufacturing Support

ASK

MANMAN/X

Pricing And Availability

- User-Based Pricing
- Prices Start At $25,000-35,000 For 8-User System
- General Availability By November 1992
- Tiered Service Pricing

ASK

MANMAN/X

Future Directions

- Platforms
  - HP MPE/iX
  - DEC OpenVMS

- Databases

- International Features
  - Spanish
  - Italian
  - Asian Language (Double-byte)

- Process Functionality

ASK

MANMAN/X

THE OPEN, INTEGRATED, MULTINATIONAL MANUFACTURING BUSINESS MANAGEMENT SYSTEM

Flexibly designed to support the individual needs of today's manufacturing companies

ASK COMPUTER SYSTEMS

Preliminary Copy - Subject to Change

July 27, 1992

THE MOST COMPLETE AND CAPABLE SYSTEM OF ITS KIND

Today's manufacturing arena has become increasingly complex. Markets are global. Competition is intense. And customers are more demanding than ever before.

The challenges clearly are formidable. But for those manufacturers prepared to meet them, the opportunities are enormous.

MANMAN/X from ASK Computer Systems can give you this kind of competitive edge. As an open, comprehensive, and highly flexible manufacturing business management system, MANMAN/X enables you to be exceptionally responsive to customers worldwide. It lets you quickly and easily adapt to changing environments and demands. And it takes you well beyond the scope of MRP-II, with integrated support for customer-driven manufacturing.

Equally important, MANMAN/X is supported by the industry's most comprehensive program of ongoing implementation, education, and consulting services. And it comes to you with the singular reassurance of ASK's size, strength, and unmatched 20-year track record of leadership in manufacturing systems, service, and support.

Highly flexible and versatile

A system that works the way you do. MANMAN/X adjusts to your business practices, rather than the other way around. It accommodates all manufacturing methodologies -- make-to-stock, assemble-to-order, make-to-order, and engineer-to-order -- either separately, or in any combination. This makes MANMAN/X ideally-suited to the needs of a wide range of companies.

A system that can customize your products. More and more customers want products tailored to specific requirements. MANMAN/X's built-in intelligence enables you to respond -- without sacrificing your economies of scale. Using the unique rules-based Product Configurator, you can create and process customized items and "one-offs" at order entry -- all the way through auto-generation of custom bill-of-material and costed routing documentation.

Multinational in scope

A key MANMAN/X advantage is the ease with which it handles the complexities of international business. Multi-lingual capabilities enable the system to communicate in the user's own language while generating documents in the native tongue of each supplier or customer. MANMAN/X also takes the confusion out of multinational transactions. It can be localized to the currency, taxation, and reporting requirements of each country, and convert and consolidate currencies and financial results worldwide.

Comprehensive... and cost-effective

MANMAN/X is designed to manage your business information needs, so you can be free to manage your business.

Together, the MANMAN/X modules cover the entire range of manufacturing business activities: planning and costing, engineering control, project management and control, inventory, production control, sales, purchasing, finance, and service and maintenance. Buy just what you need. You can choose among our standard bundles, or mix and match modules, for a system that's precisely tailored to your requirements and budget. However your system is initially configured, all options stay open -- you can increase size and functionality at any time.

Easy to modify and expand

MANMAN/X Tools gives you the capability to quickly adapt your system to changing market conditions and customer demands.

A true 4GL development environment, MANMAN/X Tools allows you to implement multiple levels of security, customize reports and screens, and develop your own applications. Report-writing capabilities enable everyone from technical professionals to end-users to extract, format, and analyze MANMAN/X information in the most efficient and effective way.

An open system

Thanks to its open, modular architecture, MANMAN/X is completely environment-independent. Which is to say, it's not limited to any one platform or operating environment, but allows you to select those that work best for you.

Choose your hardware, operating system, and database. Initially, MANMAN/X runs under UNIX on DEC, HP, and IBM platforms, with MPE/iX, open VMS, and other operating systems soon to follow. MANMAN/X is also unique in that it doesn't lock you in to any one database. The system will work equally well with INGRES, other well-known relational databases, and even proprietary database systems.

Select your interface, too. MANMAN/X gives you a choice of interfaces to match the graphical capabilities of your hardware,including X-Windows, PC, and ASCII formats.

A PARTNER -- AND A PARTNERSHIP -- YOU CAN DEPEND ON

For any manufacturing enterprise, a business management system is not only a long-term investment, but a long-term relationship with its supplier. As critical as the breadth and power of MANMAN/X itself is the strength, stability, and commitment of the company behind it.

The leader in manufacturing systems

ASK pioneered MRP-II, and is today the leading supplier of manufacturing business management systems, with more than 3,000 installations worldwide. As one of The ASK Companies, we and our customers enjoy the financial strength and stability of one of the world's ten largest software companies.

Unparalleled expertise and experience

ASK has been developing, marketing, and supporting manufacturing systems for 20 years. So it's no exaggeration to say that we have an unrivaled knowledge of the industry.

We understand your quality, planning, process, inventory, and accounting issues as no one else does. And we excel at transforming innovative, proven technologies into systems that meet manufacturers' needs.

Service and support at the highest level

A long-standing commitment to customers. We've been servicing manufacturing business management systems for as long as we've been marketing them. Over the years, ASK has built an enduring track record of customer support that is almost legendary in the industry.

Our service organization is a highly dedicated, stand-alone enterprise -- global in reach, and fully integrated with product development and marketing. In fact, we never release a system or product without having implementation, training, and support programs in place worldwide.

You can depend on ASK to provide the support you need to set up your MANMAN/X system and keep it running smoothly -- so you can concentrate on running your business.

Wide-ranging, ongoing support. Our proven methodology begins before installation, with a full suite of implementation and training programs. It continues with prompt, expert technical assistance through our Customer Response Center, consulting services to optimize your system to changing requirements, and periodic software updates and enhancements to keep you current with technology and business practices.

Life support for the life of your system. As with MANMAN/X itself, your program of support services is individually tailored. What's more, our experience and dedication ensure that no matter how much your needs expand in the future, they'll never outgrow our commitment and ability to support them.

Put the power of MANMAN/X to work

If you're like most manufacturing companies, MANMAN/X can make your operation significantly more productive, responsive, and competitive.

To learn more, contact our nearest sales office or call 1-800-4-FACTORY. And get full details on MANMAN/X from ASK -- the answer to all your business management needs.

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PROTECTING YOUR MANUFACTURING ADVANTAGE

An Overview of MANMAN/X Services from ASK Computer Systems

Preliminary Copy - Subject to Change

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START OFF STRONG. KEEP RUNNING SMOOTHLY.

From planning through execution, MANMAN/X Services help you increase user productivity, improve communications, optimize resources, reduce costs, and increase your return on an already sound investment in the MANMAN/X manufacturing system.

MANMAN/X Services are designed to start you off strong and keep you running smoothly through all stages of your installation and implementation. MANMAN/X service teams are available around the world to make certain that you receive the timely response, personal attention, and prompt assistance you need — no matter where your business takes you. Special training and consulting services ensure that technical data is entered correctly and optimize system and user interactions.

Over the years, MANMAN/X Services help you respond to changing business or market conditions, protect your manufacturing investment, and assure your continued success.

Best of all, MANMAN/X Services were developed by ASK Computer Systems. With one of the largest number of installed manufacturing business management systems around the world, ASK's unmatched expertise has been acquired through two decades in the manufacturing software and service industry.

So when you purchase MANMAN/X Services, you're getting the most comprehensive set of support services for MANMAN/X and a strong, reliable company devoted to long-term customer/vendor partnerships. It's the best protection available for your manufacturing investment.

GETTING STARTED

The smooth installation of MANMAN/X mission-critical manufacturing software is crucial to your business. Time lost in false starts and less than adequate implementation means lost productivity and profits. That's why at ASK we do everything we can to make that transition as effortless as possible. MANMAN/X Services help get you started, making your success with MANMAN/X a certainty.

In the beginning

Your initial installation of MANMAN/X is most efficient when coordinated by an experienced member of ASK's support team. That's why our *Installation Start* program is required for first-time MANMAN/X customers.

Installation Start effectively orchestrates ASK's broad range of services. Following software installation, our technical consultants work with you to train your staff to install additional modules, print documentation on demand, and use our array of Foundation installation tools.

And to give your company a stronger starting position, we also help you set up security and establish users and peripheral devices such as printers on your MANMAN/X system. It's all part of a comprehensive program designed to ensure your success.

Planning for success

To establish MANMAN/X in your existing business environment, ASK's *Implementation Start* program combines education and implementation consulting services to help you put MANMAN/X to work for your company.

ASK implementation experts work with you to understand your company's information needs. Once we understand your issues and challenges, we can help you take advantage of MANMAN/X's powerful capabilities. And we'll guide you through a proven methodology to ensure a successful implementation.

It's a process that takes careful planning and collaboration. As part of this process, you work with our highly acclaimed Success Guide that documents the steps you go through, what decisions to make at each step, and why they need to be made. The Success Guide helps expedite and clarify the Implementation Start process.

It's also a valuable reference tool for the future.

Higher education
Education Services from ASK Computer Systems offer regularly scheduled classes in locations around the world. Ongoing classes address a multitude of topics related to MANMAN/X, from sales and purchasing to shop floor control, so that you get training on the modules you purchase.

Classes are taught by dedicated, highly-trained instructors. Modern instructional techniques complement practical information and hands-on interaction with the software that enables your new employees and seasoned professionals to use MANMAN/X effectively and efficiently, thus speeding your return on investment. And student manuals serve as valuable reference guides long after formal classroom studies have been completed.

PROTECTING YOUR ONGOING OPERATION

At ASK, we understand that you've made a significant investment in MANMAN/X. To protect your investment and ongoing operation, ASK offers premier levels of service and support to keep your software current and to answer your ongoing application questions. That way, long after MANMAN/X is installed and implemented, you have access to the continued support your organization needs to stay up to date with changing technology and business practices.

The advantage is yours
With *MANMAN/X Advantage*, required for first-year customers, you have rapid access to highly trained Response Center technical consultants. One phone call connects you to an expert in the manufacturing, distribution, or finance environments whose sole job is to provide you with the highest quality customer service. Each of these individuals undergoes continual, rigorous training to keep abreast of the latest revisions to MANMAN/X software.

Using the latest tools — including an automated call tracking system and knowledge database — your Response Center technical consultant quickly and completely answers your questions about the MANMAN/X application. Questions that can't be quickly answered are automatically escalated, using established procedures, to make certain that they are resolved.

MANMAN/X Advantage subscribers receive periodic software enhancements that add valuable new features to your software. ASK welcomes feedback from customers about the enhancements they would like to see. These enhancements, which will keep you current on the latest trends in manufacturing, accounting procedures, tax laws, and the like, save you time and minimize your need to maintain a large, internal programming staff. Along with software enhancements, ASK also provides revised electronic documentation.

After the first year, you can choose from a variety of tiers to obtain the ongoing MANMAN/X Advantage support your company needs. Advantage tiers range from basic to premium levels of service.

Supporting report changes

The volumes of data generated in the manufacturing environment can be changed to meet the needs of your organization using MANMAN/X Reporter. To help you get the most from this valuable set of tools, we've developed *MANMAN/X Reporter Support*. It gives you direct telephone access to Response Center professionals who can answer your questions about MANMAN/X Reporter. It also keeps you up-to-date with enhancements, as needed, and on-line documentation specific to Reporter.

Printing on-line documentation

MANMAN/X features comprehensive, on-line documentation that can be easily printed at your convenience. You can print an entire document set or specific pieces of the documentation for an individual user. Or you can purchase comprehensive printed documentation.

MAXIMIZING YOUR INVESTMENT

ASK's commitment to a long-term partnership with your organization is most evident in the range of our continuing support services. To keep your MANMAN/X system running effectively and efficiently over time, we offer a program of continuous, periodic reviews and consulting.

Application consulting solves unique problems

To ensure that MANMAN/X is used effectively in your business, ASK offers *Application Consulting Services*. Experts in manufacturing, finance, systems analysis, software interfaces, and implementation provide time-and-materials consulting at your site as needed. When you need specific issues addressed, or you have particular problems or questions, you get fast, courteous, and knowledgeable professional attention and support.

Specialized interface consulting saves time

Since MANMAN/X represents an integral part of your business operation, ASK takes responsibility for helping you interface applications from different vendors to our software with *Interface Consulting*. It's our way of demonstrating our commitment to the success of your information system and your entire business. We have the resources and the experience to handle a broad range of systems interface problems. Highly qualified MANMAN/X consultants work with your team or independently to implement a seamless interface between discrete systems. What's more, you can delegate as little or as much as necessary to best complement your internal capabilities.

System consulting optimizes performance

System Consulting enables you to maintain and enhance the efficiency and effectiveness of your systems as well as the productivity of your staff. Whether you want to improve system performance, resize your database, or simply keep users satisfied and productive, ASK can help.

MANMAN/X system consultants are available for on-site, expert analysis of simple or complex performance issues. Concise reports cite all findings and recommendations, so you can anticipate problems before they arise and plan for future changes with confidence.

Application reviews ensure ongoing productivity

Once you've been running MANMAN/X for a while, your business environment may change. Your business may expand or you may need to replace key staff members. ASK provides Application Reviews to help you keep MANMAN/X performing at peak efficiency through all kinds of change.

Expert MANMAN/X consultants review your current implementation to ensure that you're making the most of MANMAN/X's capabilities within your business environment. Then, in a detailed report, these highly trained professionals recommend solutions that meet the needs of your operation. Based on your final input, ASK can then follow through and implement the changes you agree are most effective.

Get the protection you need today

MANMAN/X is accompanied by the most comprehensive set of services available for an open systems manufacturing solution. Contact your local ASK representative, or call 1-800-4-FACTORY, to see for yourself why more manufacturing companies around the world are choosing ASK systems and ASK support services to protect their manufacturing advantage.

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ASK Computer Systems

Analyst Commentary Regarding MANMAN/X

"ASK's market presence endorses UNIX for manufacturing. Because it is the first of the large, mainstream suppliers of manufacturing software to put its product up on UNIX. The impact of this will be far greater than the number of licenses ASK will be able to sell. Before now, few of the Fortune 1000 would have considered UNIX for manufacturing. Now every one of them will.

ASK's move will help all the software companies competing in this market by enlarging the total. In 1991, the UNIX market was $30 billion in sales and growing at approximately 15 percent per year. Of that, less than $1 billion was manufacturing software, or roughly three percent. With ASK and other major manufacturing software suppliers entering the market, we expect the manufacturing portion should grow substantially from being three percent of the total UNIX market today to represent 10 to 15 percent of the whole, or $4-5 billion within the next two years."

Lew Brentano
Group Vice President, Systems and Applications
InfoCorp
(508) 635-9950

InfoCorp is a market research firm that provides its clients -- primarily hardware and software companies -- with in-depth analysis and statistical data on markets for small to large computer systems.

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> **"The pace of migration from traditional MRP II to COMMS (Customer oriented manufacturing management systems) has soared recently as competitive pressure on manufacturers has forced them to become more responsive to their customers. COMMS is an enterprise-wide planning and management system that unites all of a manufacturer's departments and suppliers around its customers. Leading manufacturers from Japan, Europe, and North America helped AMR develop the COMMS model as a business strategy rather than a mere technology list.**
>
> **With the introduction of MANMAN/X, ASK now offers a viable COMMS engine for the future. The COMMS functionality that takes advantage of that engine can then be improved and extended from one "model year" to the next."**

Ted Rybeck
Senior Industry Analyst
Advanced Manufacturing Research
(617) 621-1700

Advanced Manufacturing Research is a market analysis and consulting firm that follows the information management market for global manufacturers.

> **"Information systems executives from Fortune 1000 companies as well as heads of the mid-sized companies who are unsure about the transition to open systems are leery of betting their companies on a manufacturing software package from a $5 to $20 million software supplier. These manufacturers are looking for a more established vendor to enter the market. ASK Computer Systems' introduction of MANMAN/X can fill this supplier credibility gap."**

Peter Kastner
Vice President
Aberdeen Group
(617) 723-7890

Aberdeen Group is a computer research and consulting organization that specializes in providing users with information that will help them plan their computer hardware and software buying strategies. The firm's research covers a wide range of technological and financial issues.

> **"MANMAN/X is a vital link to European markets and those North American manufacturers seeking sound UNIX MRP II applications. This introduction offers companies the means to migrate to the next technological generation of computing and to rightsize their systems environment with a leading company of long standing in the MRP II marketplace."**

Alice Greene
Principal
Industry Directions
(617) 229-1006

Industry Directions is an independent manufacturing systems market research firm that follows application and technology trends and provides analysis and statistics to the marketplace.

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ASK Computer Systems

Customer Commentary Regarding MANMAN/X

> **"One of our information systems goals is to be 'future ready.' The architecture of MANMAN/X will allow us to prepare for the future technology needs of our company."**

Steve Greiner
Director of Information Systems
Industrial Dynamics, Inc.
(310) 325-5633

Industrial Dynamics is a privately held manufacturer of automated inspection equipment for the consumer products market.

> **"We selected MANMAN/X as part of our Total Quality Improvement Process and ISO-9000 Certification Program. It was selected because of it high level of integration, fourth generation language, and extensive on-line help features. We are excited that our partnership with ASK helps meet our commitment to continuous quality improvement."**

Matt Niemeyer
MIS Manager
Groth Corporation

Groth Corporation manufactures, sells, and services a complete line of environmental and safety-related products and instrumentation for the chemical, petroleum refining, petrochemical, and power industries.

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> **"We are very pleased about ASK's introduction of MANMAN/X. This product will allow us to continue our relationship with a vendor we trust as we move to implement our open systems and client-server strategies."**

Sam Schneider
Director, MIS
Proteon Inc.
(508) 898-2146

Proteon develops token ring networking and internetworking systems that integrate IBM with non-IBM computing environments into a single enterprise-wide network.

> **"With MANMAN/X, ASK has made a major step toward making available Enterprise Resource Planning systems."**

David McNally
Manager, Technical Services
General Signal Corporation
(215) 699-7400

General Signal is a leading manufacturer of equipment and instruments for the process control, electrical, semiconductor and telecommunications industries.

> **"The direction ASK is taking with MANMAN/X will allow the support of its customers who are following the market trends and wish to implement UNIX-based manufacturing systems. Our members should not be threatened by MANMAN/X since ASK has a history of continuing to support and enhance products after new product lines are introduced."**

Erwin Dolgin
President
ASKUS International
Corporate Information Systems Manager
Knowles Electronics, Inc.
(708) 250-5174

ASKUS International is the user group partner of ASK Computer Systems for MANMAN products.

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ASK Computer Systems

Partner Commentary Regarding MANMAN/X

"MANMAN/X is an excellent example of the comprehensive software that companies need to take advantage of the benefits of open systems. The combination of our computer systems and ASK's application software is backed by a mutual commitment to serving the manufacturing market that has long been the cornerstone of our relationship. We look forward to building on our 20-year relationship."

Lewis E. Platt
Executive Vice President
Hewlett-Packard Company
(408) 447-1129 (Bart Coddington)

"Since 1982 Digital has enjoyed a strategic relationship with ASK Computer Systems, and the MANMAN/X product will expand this relationship to new markets, operating systems and countries. Our relationship with ASK helps customers implement their open systems strategy in manufacturing by optimizing Digital's high-performance, very reliable computer systems with ASK's customer service and high- quality applications."

WIlliam R. Johnson, Jr.
Vice President, Corporate Marketing
Digital Equipment Corporation
(508) 467-9381 (Lisa Lipson)

(more)

"With MANMAN/X, ASK is improving its position as a leading supplier of manufacturing business management systems by offering a truly global, open systems product."

Hank Johnston
President
Manufacturing and Distribution Services
Electronic Data Systems
(214) 392-8948 (Ken Smalling)

"We are excited ASK is delivering MANMAN/X in INGRES. The creation of open applications from companies wit the stability, reputation and customer service of ASK will help grow the overall market for open systems and increase the range of high-quality offerings that Ingres supports."

Dennis McGinn
President
Ingres, An ASK Company
(510) 748-3696 (Penny Wolf)

# # #

THE ROLE OF MANUFACTURING BUSINESS MANAGEMENT SYSTEMS

Alice H. Greene
Industry Directions
144 Middlesex Turnpike
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(617) 229-1006

Walking through the plant on a Friday evening, the general manager of a Fortune 1000 manufacturer was once again struggling to understand why they had failed to meet their delivery requirements. All around him there was lots of inventory moving through the plant, machines were all working (except one or two) and the second shift had brought in extra people to complete orders due Monday. From what he could see, the plant seemed to be running efficiently and there was little more he could do. Maybe, as he told himself every Friday, things would be better next week.

The problem for this manager -- and many others in manufacturing -- is lack of information about his operation. Without a manufacturing business management system that identifies inventory and capacity availability, that monitors production activities and locations of orders, that confirms delivery dates and order status for customers or that calculates when materials are needed and the cost of production, it is difficult to assess the seriousness of a problem or how to correct it.

Long recognized as a critical component to plant operations, the manufacturing business management system (sometimes referred to as MRP II, JIT, ERP, or COMMS) has become a core information resource in businesses across the world. In the U.S. alone, there are over 100,000 systems installed, 65,000 of which have been purchased from the hundreds of software vendors that specialize in manufacturing business management systems.

Annually, about 7,000 system licenses are sold to American manufacturers, while another 2,000 are purchased by foreign companies. A license, not to be confused with seats (number of users), is very often procured for an entire operation and can cost well over a million dollars -- which doesn't take into account the implementation costs. More often, the average system price is about $350,000. But this is offset by the savings gained from increased inventory turns, drastic reduction in inventory holdings, improved customer deliveries and services, as well as gains in productivity.

Distinguishing one vendor's system from another is done by evaluating its functional capabilities, the unique industries it serves and the hardware platforms it runs on. In nearly all cases the functions are designed to simultaneously serve the needs of purchasing, inventory control, planning, engineering, marketing, sales, production scheduling, customer service, human resources and accounting -- as these groups work together to meet production requirements.

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Yet, however similar, each system on the market caters to unique needs, which is particularly evident in the vastly different discrete manufacturing environments. Discrete is a term used to describe the manufacturing of items -- things that can be discretely counted such as cars, motors, clothing, refrigerators, industrial equipment, tools or electronic products. Yet, within this spectrum there are numerous way to produce, including make-to-order (unique production order to meet customer specifications), make-to-stock (repetitive type production), engineer-to-order (very customized production) and assemble-to-order (assembly of parts as specified by a customer).

Compared to discrete manufacturing, the business systems requirements for process manufacturing have even greater differentiation. Process manufacturing is characterized by batches or tanks of products -- the ingredients of which are mixed together in quantity. Some plants continuously produce the material, as in oil refining . Others manufacturers, such as beer, soup, bread, toothpaste, detergents, pharmaceuticals or paper, produce separate batches of product. Instead of tracking the flow of discrete units of production, the process manufacturing system must maintain information about large batches of product and the formula (using weights and volumes) needed to prepare it. Often these batches change unpredictably throughout the process. As a result of the variety of production requirements, for any given environment, process or discrete, there are at least fifteen systems on the market to choose from.

Manufacturing business management systems are comprehensive multi-user systems where hundreds of people share the same business and database to establish manufacturing policies, to execute hundreds of daily on-line business and production transactions, and to maintain a current status of operational and financial activities. While off-line, summary reports of planning and production activity are generated, massive algorithmic programs are run to calculate the material requirements plan, and the corporate financials are updated. En masse, the system handles the business' most critical information on its customers, products, suppliers, production, cash flow and performance measures.

The significance of these systems to the business, the breadth of users, extent of code, need for modifications and cost all require a substantial level of involvement from the information systems department. It is not at all

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uncommon for the information systems director to become a key contributor to the selection of these systems. Furthermore, in most cases, the information systems department will take on the responsibility for its implementation, data conversion and continual maintenance upkeep.

The basis of manufacturing business management systems is database management and transaction processing -- the arena of the information systems department. Not long ago most of these systems, whether purchased or developed, ran on either mainframe or minicomputers. Today, they are more often sold on low-end, high performance commercial hardware, including minis, servers and Unix workstations.

Surprisingly, technical CAD systems or real-time plant floor control equipment are more often associated with the automation of manufacturing and the interests of the information systems department than manufacturing business management systems, which have been in use since the 1960s. In part, this is due to the rapid advances in ant attention to workstation and graphics technology, which has catered to the needs of CAD/CAM and simulation applications.

As more applications within the manufacturing enterprise are linked together across networks and client/server topologies, the role of the information systems department and of manufacturing business management systems extends to include the engineering arena of CAD/CAM and engineering data management, as well as the area of real-time controls. Increasingly, the business information system is acting as a hub to manage integrated, concurrent business activities.

Expanding on this notion, many manufacturers are now implementing electronic data linkages to other business functions as an inherent extension to their core manufacturing information management environment. This is exemplified by those linking their manufacturing business management systems with electronic data interchange (EDI) to communicate better with their customers and suppliers, with e-mail to increase internal communications, with logistics applications to better manage the movement of material (from supplier to customer), and with plant execution functions to get direct feedback from the plant floor on the status of orders, quality, equipment, materials and inventory.

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By integrating these functional activities, manufacturers are improving customer satisfaction, effectively managing costs and assets across multiple facilities, successfully matching supply to demand around the world, and being more responsive to a changing marketplace. As a result, the concept and applicability of these systems further incorporates critical aspects of the the organization and requires increasing support and attention from the information systems department.

During the past few years there has been a distinct and growing movement towards open systems and away from legacy and proprietary platforms, for which there is still a healthy U.S. market. Open, as it pertains to Unix, is particularly sought after in the European markets, where many American software vendors are well positioned. In the U.S. manufacturing sector, shifts to Unix are also increasing, driven by anticipated cost savings and an interest to consolidate corporate computing, such as CAD/CAM and plant operations, into a single operating environment.

By supporting manufacturers around the world, another trend has emerged. It is the need for global manufacturing business management systems that can support multi-national currencies, financials and languages in addition to overseeing multiple facility activities, logistics and assets. These enhancements have, in turn, helped manufacturers obtain a customer-oriented visibility of their operations across the corporation, providing them a competitive advantage.

More recently, suppliers have undertaken a massive technological endeavor to bring systems, written in the 1970s and 1980s, up to current standards and implement more recent technological developments. Recognized as next generation systems, the latest releases of manufacturing business management software are based on relational databases and offer fourth-generation language (4GL) development tools for customization purposes. For many manufacturers, these advances in technology, customer-oriented functionality and global management expand the breadth and nature of their systems from a production environment to one that serves the entire enterprise arena.

The role of manufacturing business management systems in most industrial firms is considered vital to their success. As a critical and strategic component in the information system strategy of manufacturers, it is of particular interest to those in the information systems community.

# # #

GLOSSARY OF TERMS

Terms frequently used in discussing manufacturing business management systems include the following:

ACCOUNTS PAYABLE/RECEIVABLE: The transactions generated by purchasing and invoicing which affect the general ledger and are used to manage corporate cash flow.

BATCH PROCESS: A form of manufacturing in which the product is made in a quantity of measure (volume or weight), rather than a quantity of items, produced in a given time period and based on a formula or recipe.

BILL OF MATERIALS (BOM): A listing of parts and raw materials needed to manufacture an item.

BILL OF RESOURCES: A listing of required capacity and key resources needed to manufacture a product.

CAPACITY PLANNING: The function of establishing, measuring, monitoring and adjusting levels of manufacturing capacity (available and required) to meet delivery due dates of customer orders.

CONFIGURATOR: Rule-based intelligence provided in the system to assist sales when taking customer orders.

COSTING: A means of calculating costs (either with standard or actual costs) for an operation, process or product including direct material, labor and overhead.

DEMAND: The need for a particular product or component generated by the market or another company manufacturing site.

DISTRIBUTION REQUIREMENTS PLANNING (DRP): The function of determining the needs to replenish inventory at branch warehouses.

FORECASTING: The process of estimating future sales for a grouping of products or product families.

FORMULA/RECIPE: A statement of ingredient requirements for a batch process.

GENERAL LEDGER: The living document of corporate financial activity, which is updated by transactions such as those created from inventory movement, cash flow activities and payroll payments.

INVENTORY MANAGEMENT: An approach to establishing levels of desired inventory, tracking its movement and location, and implementing controls for replenishment.

JUST-IN-TIME (JIT): The practices used to reduce inventory, streamline operations, eliminate defects and minimize costs.

MANAGEMENT REPORTING: A summary in report form of critical data or of exceptions that inform management of operational performance issues.

MATERIAL REQUIREMENTS PLAN (MRP): A set of techniques that uses the bill of material, inventory data and the master production schedule to calculate material requirements for upcoming customer orders.

MASTER PRODUCTION SCHEDULE: A schedule that represents what the company plans to produce as expressed in specific configurations, quantities and dates.

MANUFACTURING RESOURCE PLANNING (MRP II): A method for the effective planning of all resources of a manufacturing company, which as a system includes all functions in this listing.

ORDER MANAGEMENT/ENTRY: The process of accepting what a customer wants and translating it into a manufacturing schedule.

PRODUCTION CONTROL: The function of directing or regulating the movement of goods through the entire manufacturing cycle -- from requisition of raw material to the delivery of the final product.

PURCHASING: The means of buying raw materials, parts, ingredients and capacity from a supplier that secures the best price, quality and delivery agreement.

REPORT GENERATOR/WRITER: A program that extracts data into specified report formats.

SCHEDULING: The act of creating a schedule to manage production activity.

SHOP FLOOR CONTROL: The use of data from the plant floor to maintain and communicate status information on manufacturing orders and equipment usage.

* Definitions are derived in part from the American Production and Inventory Control Society (APICS).

NEWS RELEASE

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ASK

ASK COMPUTER SYSTEMS

COMPANY FACT SHEET

Business:

ASK Computer Systems, An ASK Company, supplies comprehensive systems designed to help companies around the world streamline manufacturing operation, control costs, manage inventory, deliver products on time, and help run business efficiently. ASK provides the widest choice of world-class manufacturing business management systems which address the manufacturing, marketing, financial and management reporting needs of manufacturing companies.

The company offers a portfolio of high-quality, open product lines that support a wide range of hardware platforms, databases, and operating systems, as well as unequaled international customer service and support.

Products:

MANMAN, an integrated group of 20 software modules, is the leading manufacturing business management system for the Hewlett-Packard Company HP 3000 and Digital Equipment Corp. VAX families of computers. The MANMAN product family is the most reliable, feature-rich manufacturing business management system available.

MANMAN/X is ASK's manufacturing business management system which consists of 27 integrated modules and runs on UNIX-based computer systems from Digital Equipment Corporation, Hewlett-Packard Company and International Business Machines. MANMAN/X is designed to be database independent and currently, supports the INGRES Intelligent Database and the ISAM file system. In addition, MANMAN/X provides support for multinational businesses by offering French, German, U.K. English and U.S. English versions and localizations to support tax laws, reporting practices and methods of payment.

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MAXCIM is a manufacturing information system that runs on the Digital Equipment Corp. VAX family of computers and is targeted at suppliers to Digital.

Service: ASK offers comprehensive customer service and programs. For MANMAN/X, the program is called MANMAN/X Advantage. For MANMAN and MAXCIM it is called Warranty-Plus. The services offered include support from customer response centers, product training classes, implementation assistance, documentation and software upgrades.

Distribution: MANMAN, MANMAN/X, and MAXCIM are distributed worldwide by ASK Computer Systems' direct sales force and through distribution agreements with value-added resellers, integrators and others.

Background: Founded in 1972 by Sandra Kurtzig and incorporated in 1974, ASK Computer Systems is the leading independent supplier of manufacturing business management systems in the world. Its flagship product, MANMAN, has been installed in over 2,500 facilities worldwide.

ASK Computer Systems is a business unit of The ASK Companies, one of the ten largest software companies in the world. Corporate revenue for the fiscal year which ended on June 30, 1992 was $432.4 million. It is a publicly traded company (NASDAQ: ASKI) and employs over 2,300 in 92 offices in 15 countries. The ASK Companies comprises ASK Computer Systems, Ingres and Data 3.

Management:
Eric Carlson, Ph.D., President
Peter West, Vice President of Marketing
Martin R. Browne, Vice President of Manufacturing Technologies
Jim Sutton, Vice President of Engineering
Tom Mackey, Vice President of North American Sales
Mary Marley, Vice President of Customer Support
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# # #

ASK

(BW)(THE-ASK-COMPANIES)(ASKI) Pier Carlo Falotti, DEC's European president, named chief executive officer of The ASK Companies

Business Editors and Computer Writers

MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)--Sandra L. Kurtzig, chairman and chief executive officer of The ASK Companies (NASDAQ:ASKI), Friday announced the appointment of Pier Carlo Falotti as her successor as the software company's chief executive officer.

Falotti, 50, has been president and chief executive officer of Digital Equipment Corp.'s European operations since 1983.

Kurtzig, 45, who founded ASK in 1972, said she will relinquish her chief executive role, effective Sept. 1, 1992, but will remain chairman of The ASK Companies' board of directors. Falotti will become a director of The ASK Companies.

''Pier Carlo Falotti is a standout in the computer industry and the right person to lead our company through its next period of growth,'' said Kurtzig, who took a hiatus from managing ASK in the mid-1980s, returning in 1989 to execute the successful turnaround of ASK and the acquisition of Ingres Corp. Today, The ASK Companies is one of the 10 largest software companies in the world. Almost 50 percent of its more than $400 million in sales are outside of the United States.

Falotti, who has been with Digital for 23 years, is credited with masterfully organizing and leading DEC Europe through a high-growth, 10-year period that saw it go from $900 million to $7 billion in sales and from 25 percent to 50 percent of Digital's worldwide revenues to become second only to IBM as the top computer supplier.

''Pier Carlo's demonstrated success as a customer-oriented, motivating leader makes him an outstanding individual to run and grow The ASK Companies,'' Kurtzig said. ''His track record is impressive by every measure. Besides the tremendous European growth in revenue and profitability which Pier Carlo led, he executed the first and some of the largest of Digital's joint ventures and acquisitions.''

Falotti, an electrical engineer by education, joined Digital's Italian subsidiary from Sperry-Univac Inc. in 1969 and rose through the ranks of the company's European field service organization, becoming responsible for Digital's European field service operations in 1978. In 1981 he became a Digital vice president and was elevated in 1983 to president and chief executive officer of DEC Europe, based in Geneva.

As chief executive officer of DEC Europe, which currently has about 34,000 employees, he has been the innovator of many new selling, service, training and organizational methodologies and models that have later become corporate standards throughout Digital.

''It's clear the growth, innovation and excitement in the computer business in the coming years will be on the software side of the house,'' Falotti said. ''My discussions with ASK over the past five months have convinced me ASK is well positioned as the premier business-to-business software supplier.

''I'm impressed with the solid foundation Sandy has built, her vision and the progress the management team has made in recent years. I'm very excited to have a significant role in ASK's future.''

Falotti will take over an ASK that is much different than the ASK Computer Systems of three years ago, when Kurtzig returned to turn around the company's slowing growth and profitability after a four-year break from active management of the company she founded.

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They, along with Chief Financial and Administrative Officer Les Wright, will report to Falotti.

''We've achieved a number of important milestones, including the development of significant new products in each of the businesses,'' Kurtzig said.

''We have a very strong management team and a very exciting future. Due to excellent cash flow and profitability, we were able recently to pay off, ahead of schedule, bank borrowings incurred in 1990 to acquire Ingres.''

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The ASK Companies' Ingres, ASK Computer Systems and Data 3 business units specialize in database management systems, applications development tools, and manufacturing and financial management application software for use by business and government. There are 2,300 company employees in 91 offices who serve customers worldwide.

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BIOGRAPHICAL SUMMARIES:

Sandra L. Kurtzig
Chairman

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Known for her vision and leadership skills, Kurtzig has repositioned the company for growth through the 1990s. In 1990, ASK acquired Ingres Corp., the second largest provider of relational database management systems and application development tools. Since her return, the company's revenue has grown to more than $400 million.

Kurtzig's autobiography, ''CEO: Building a $400 Million Company from the Ground Up,'' was published by W.W. Norton in May 1991. Kurtzig is also a member of the board of directors of Harvard Business School and was awarded the 1991 Alumni Achievement award from Harvard.

Kurtzig holds a bachelor of science degree in mathematics from the University of California, Los Angeles and a master of science degree in aeronautical engineering from Stanford University, California.

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Chief Executive Officer

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Falotti is chairman of the Business Advisory Council at IMD and is a member of the Council for U.S. and Italy Relations.

Falotti holds a diplomat technical degree in electrical engineering from Avogrado University in Turin, Italy and PMD from Harvard Business School.

Leslie E. Wright
Executive Vice President,
Chief Financial and Administrative Officer

Wright, 38, has worldwide responsibility for all of The ASK Companies' finance, accounting, treasury, MIS, new business development, legal, and administrative functions. He was promoted to his current position in 1991. He joined the company in 1984 as controller and became vice president and chief financial officer in 1986. Before joining the company, Wright was with Trilogy Limited and Amdahl Corp. He began his career at Arthur Andersen & Co.

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Carlson has been active in the Association for Computing Machinery and the IEEE, and has co-authored numerous technical books and articles. He is active in his community where he has been on the local town council since 1982.

Carlson holds a Ph.D. in computer science and a master of arts degree in city and regional planning from the University of North Carolina, Chapel Hill. He holds a bachelor of arts in economics from Carleton College in Minnesota.

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President, Ingres

McGinn, 46, a 20-year veteran of the computer industry, has responsibility for the development, marketing, sales and support, finance, and administration of Ingres' operations worldwide. Prior to joining the company in 1990, McGinn was general manager of Hewlett-Packard Company's Industry Marketing Group. He joined Hewlett Packard in 1969 and held positions as general manager of the Computer Networks Operation and group marketing manager of the Peripherals Group and of the Information Networks Group. In addition, he has held several sales and sales management positions.

McGinn holds a bachelor of science degree in engineering physics as well as an MBA from the University of Arizona in Tucson.

David Sohm
President, Data 3

Sohm, 42, has responsibility for the development, marketing, sales and support, finance, and administration of Data 3's operations worldwide. He was promoted to his current position in August 1991 after serving as general manager of Data 3 since its acquisition by the company in September 1989. He joined the company as vice president of marketing in 1984. In 1986 he was named vice president of marketing and business development.

Prior to ASK, he was with Hewlett-Packard Company in Palo Alto, Calif., for 12 years, where he was marketing manager for the company's Manufacturing Productivity Division. Other positions at Hewlett-Packard included software engineer in manufacturing systems, manufacturing software product manager, and manufacturing software marketing manager.

Sohm received a bachelor of arts degree in mathematics from Occidental College in Los Angeles, California and a master of science degree in computer science from the University of Wisconsin at Madison.

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ASK Companies

Sandra L. Kurtzig

Chairman, The ASK Companies

Kurtzig, 45, founded ASK in 1972 with $2,000 in savings. Originally intending it to be a part-time business while raising her family, she has grown The ASK Companies into one of the ten largest software companies worldwide. The ASK Companies is the largest U.S. public corporation founded and headed by a woman.

After building ASK into the fastest growing software firm, she retired in 1985. Kurtzig returned to full-time management of the company in September, 1989. Known for her vision and leadership skills, Kurtzig has repositioned The ASK Companies for growth through the 1990s. In 1990, ASK acquired Ingres Corporation, the second largest provider of relational database management systems and applications development tools. Today, The ASK Companies has three business units, Ingres, ASK Computer Systems, and Data 3. Since her return the Company's revenue has grown to nearly $450 million.

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ASK Companies

FOR IMMEDIATE RELEASE

PIER CARLO FALOTTI, DEC'S EUROPEAN PRESIDENT, NAMED CEO OF THE ASK COMPANIES

MOUNTAIN VIEW, Calif. -- July 17, 1992 -- Sandra L. Kurtzig, chairman and CEO of The ASK Companies (NASDAQ:ASKI), today announced the appointment of Pier Carlo Falotti as her successor as the software company's chief executive officer. Falotti, 50, has been president and CEO of Digital Equipment Corporation's European operations since 1983.

Kurtzig, 45, who founded ASK in 1972, said she will relinquish her chief executive role, effective Sept. 1, 1992, but will remain chairman of The ASK Companies' Board of Directors. Falotti will become a director of The ASK Companies.

"Pier Carlo Falotti is a standout in the computer industry and the right person to lead our company through its next period of growth," said Kurtzig, who took a hiatus from managing ASK in the mid-1980s, returning in 1989 to execute the successful turnaround of ASK and the acquisition of Ingres Corporation. Today, The ASK Companies is one of the 10 largest software companies in the world. Almost 50 percent of its more than $400 million in sales are outside of the United States.

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Falotti, who has been with Digital for 23 years, is credited with masterfully organizing and leading DEC Europe through a high-growth, 10-year period that saw it go from $900 million to $7 billion in sales and from 25 percent to 50 percent of Digital's worldwide revenues to become second only to IBM as the top computer supplier.

"Pier Carlo's demonstrated success as a customer-oriented, motivating leader makes him an outstanding individual to run and grow The ASK Companies," Kurtzig said. "His track record is impressive by every measure. Besides the tremendous European growth in revenue and profitability which Pier Carlo led, he executed the first and some of the largest of Digital's joint ventures and acquisitions."

Falotti, an electrical engineer by education, joined Digital's Italian subsidiary from Sperry-Univac Inc. in 1969 and rose through the ranks of the company's European field service organization, becoming responsible for Digital's European field service operations in 1978. In 1981 he became a Digital vice president and was elevated in 1983 to president and CEO of DEC Europe, based in Geneva, Switzerland.

As CEO of DEC Europe, which currently has about 34,000 employees, he has been the innovator of many new selling, service, training and organizational methodologies and models that have later become corporate standards throughout Digital.

"It's clear the growth, innovation and excitement in the computer business in the coming years will be on the software side of the house," Falotti said. "My discussions with ASK over the past five months have convinced me ASK is well positioned as the premier business-to-business software supplier. I'm impressed

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with the solid foundation Sandy has built, her vision and the progress the management team has made in recent years. I'm very excited to have a significant role in ASK's future."

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Contact:	Lisa Herbst	Karen Marvin
	Investor Relations	Press Relations
	(415) 335-5558	(415) 335-5527

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ASK Companies

CORPORATE FACT SHEET

Overview: The ASK Companies is one of the 10 largest software companies in the world, with revenue approaching $450 million. The Company is a broad-based supplier of commercial software with three business units, Ingres, ASK Computer Systems, and Data 3.

Background: The ASK Companies is publicly traded (NASDAQ: ASKI) and employs 2,300 people in 91 offices in 15 countries. The ASK Companies principles of prudent business practices and major industry alliances combined with its leading relational database technology, development tools, and applications make the Company the best information systems partner for its customers.

Companies: Founded by Sandra Kurtzig in 1972, and incorporated in 1974, The ASK Companies serves two important markets. ASK Computer Systems and Data 3 offer manufacturing management applications. Ingres offers the INGRES database and software development tools.

ASK Computer Systems is a leading supplier of manufacturing business management systems for Hewlett-Packard and Digital Equipment Corp. computers. In the fall of 1992, ASK will expand its product line to include a new UNIX-based offering.

Ingres, acquired by the Company in 1990, is a world leader in database and application development products. Its products include the INGRES Intelligent Database, the INGRES/Windows4GL and INGRES/Vision development tools, and the INGRES/STAR and INGRES/Gateways connectivity products.

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Acquired by the Company in 1989, Data 3 supplies the SIM/400 integrated manufacturing application for IBM AS/400 computers. In 1990, Data 3 won the IBM Outstanding Business Partner award.

Management:
Sandra Kurtzig, Chairman
Pier Carlo Falotti, Chief Executive Officer
Les E. Wright, Executive Vice President, Chief Administrative and Financial Officer
Eric Carlson, Ph.D., President, ASK Computer Systems
Dennis McGinn, President, Ingres
David Sohm, President, Data 3

Board of Directors:
Sandra Kurtzig; Chairman; The ASK Companies
Pier Carlo Falotti; Chief Executive Officer, The ASK Companies
Paul C. Ely. Jr.; General Partner; Alpha Partners
Robert N. Sharpe; Vice President, Business Development; EDS Corp.
Thomas L Unterberg; Managing Director; Unterberg Harris
Robert H. Waterman, Jr.; Chairman; Waterman & Miller, Inc.

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ASK

FOR IMMEDIATE RELEASE

ASK WINS CONTRACT FOR $1.0 MILLION MANMAN SYSTEM FROM INTERSTATE ELECTRONICS

MOUNTAIN VIEW, Calif., -- May 18, 1992 -- ASK Computer Systems, An ASK Company, today announced it has finalized a $1.0 million hardware, software, and services contract with Interstate Electronics Corporation of Anaheim, Calif.

"We selected MANMAN for its broad range of features, as well as ASK's history of successful and rapid implementations," said Jim Kohler, director of information services, Interstate Electronics.

ASK Computer Systems will supply its MANMAN VAX manufacturing information system, replacing systems based on both a minicomputer and an IBM mainframe. Interstate Electronics will use the MANMAN system to integrate the business, accounting, financial, and production functions.

"Our contract with Interstate reinforces our position as the premier manufacturing information system supplier," said Tom Mackey, vice president of North American sales. "We look forward to a long-term relationship with Interstate and meeting their challenging manufacturing requirements."

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Headquartered in Anaheim, Calif., Interstate Electronics is a wholly owned subsidiary of Figgie International and supplies electrical systems for the defense industry.

The MANMAN information system is an integrated group of software products that addresses the manufacturing, marketing, financial and management reporting needs of manufacturing companies. MANMAN is the most cost effective and feature rich manufacturing information system available. It is used in over 2,000 manufacturing sites worldwide.

ASK Computer Systems, an ASK Company, supplies comprehensive manufacturing information systems to companies around the world. The ASK Companies is one of the 10 largest software companies worldwide, with annual revenues in excess of $400 million. It is a publicly held company, traded on the NASDAQ national market system under the symbol "ASKI."

# # #

ASK and MANMAN are registered trademarks of ASK Computer Systems, Inc.

Contacts:

Russell Castronovo ASK Public Relations (415) 335-5534	Stephanie Campbell Copithorne & Bellows (415) 541-0873

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THE ASK COMPANIES

1991 ANNUAL REPORT

The photograph on the cover illustrates one of the many task forces organized following the Company's acquisition of Ingres Corp. Made up of employees from across the Company, the task forces addressed merger-related issues such as defining the new corporate mission, integrating the two information systems, and standardizing human resource policies.

ASK AT A GLANCE

- One of the 10 largest software companies in the world.
- Nearly 100 sales offices on four continents.
- Over 2,000 employees worldwide.
- Major markets include manufacturing, government, telecommunications, finance, utilities, transportation, petroleum, and education.
- Products include the INGRES Intelligent Database and application development tools; and the MANMAN, MAXCIM and SIM/400 manufacturing and financial management applications.
- Stock traded on the NASDAQ National Market System under the symbol ASKI. Initial public offering, 1981. Fiscal year ends June 30.
- Founded by Sandra L. Kurtzig in 1972. Incorporated in 1974.

TO OUR STOCKHOLDERS, CUSTOMERS, AND EMPLOYEES:

Fiscal 1991 was a turning point in the history of our Company. We acquired Ingres Corporation, one of the largest independent relational database management system (RDBMS) companies, and transformed ourselves from a leader in the niche manufacturing software market into one of the world's largest commercial software companies.

Net revenue for fiscal 1991 was a record $344 million compared to net revenue of $207 million for fiscal 1990. Operating income before amortization of goodwill and other purchased intangibles was an all-time high at $23 million, up 95 percent from fiscal 1990. Goodwill and other purchased intangibles amortization for fiscal 1991 was $11 million compared to $4 million in fiscal 1990. A substantial portion of this expense is not deductible for tax purposes and contributed to an effective tax rate of 69 percent in fiscal 1991. This resulted in net income for fiscal year 1991 of $2.7 million or $0.15 per share on 17.8 million shares outstanding, as compared to net income of $5 million or $0.37 per share on 13.4 million shares outstanding for fiscal 1990. The 33 percent increase in shares outstanding was principally due to the issuance of common stock on October 22, 1990 to EDS Corporation and to the Hewlett-Packard Company resulting from their $60 million equity investment in the Company. EDS now owns 19 percent and HP owns 10 percent.

Increased revenue and good cash management over the year allowed us to pay down much of the debt associated with our acquisition of Ingres. We had expected to end fiscal 1991 with $47 million of net debt on the balance sheet. Instead we had only $21 million. We define net debt as the current portion of long-term debt plus long-term bank borrowings less cash.

When I returned to management two years ago, I challenged the Company with a new vision of our future. We would ride the new wave of computing—open systems. In response to this vision, the Company adopted a new mission: to become the recognized software leader in the worldwide evolution to client-server business computing.

During the past fiscal year, we made major strides toward achieving this mission. The largest step was the acquisition of Ingres Corporation

(Alameda, California) in October 1990. Ingres is a pioneer in the commercialization of relational database technology. Today it is a leading vendor of database software and application development tools. Its technology fits directly into our vision of where computing is heading. And the merger has already proved successful. The Ingres unit is achieving record revenues.

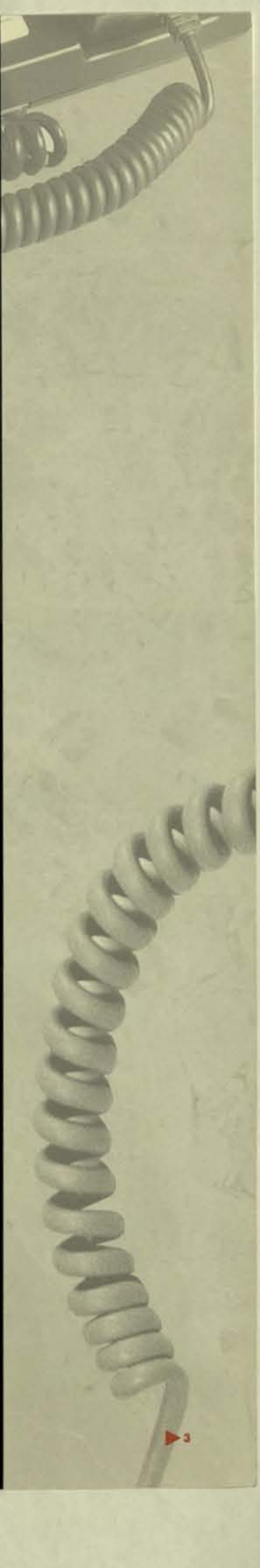
During the past year, we also shipped several major new products, recruited an extremely talented group of executives, and reorganized the Company into focused business units. We were also pleased to announce that Robert Sharpe, vice president of business development at EDS, joined our Board of Directors. His experience in building and managing strategic relationships and his many industry contacts have become valuable resources for the Company.

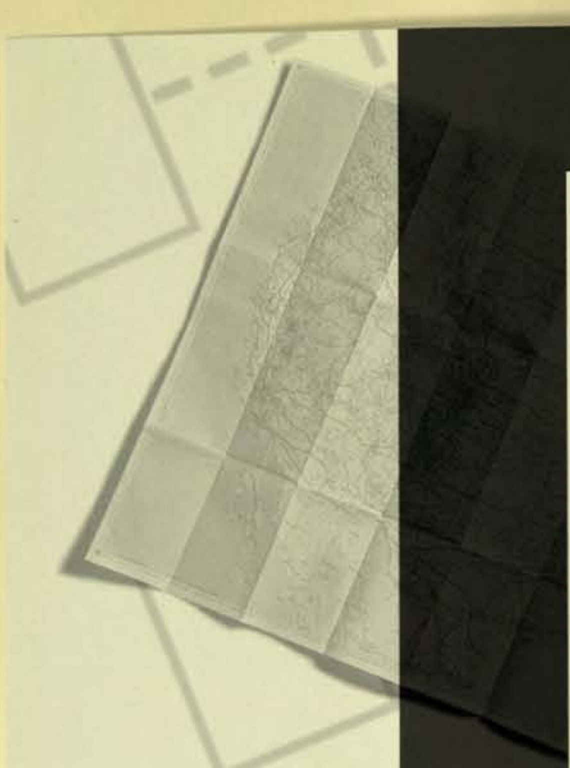
It is the dedication and outstanding performance of our employees that made fiscal 1991 a milestone in the Company's history. I want to thank them for doing a fantastic job. All of us now look forward to another year of growth and achievement.

Sincerely,

Sandra Kurtzig

Sandra L. Kurtzig
Chairman and
Chief Executive Officer





A NEW ORGANIZATION FOR THE '90S

Recently the Company was reorganized into a new decentralized structure. Three business units, ASK Computer Systems (ASK), Data 3 and Ingres, are now overseen by a new corporate umbrella dubbed The ASK Companies. The new structure is designed to maintain the Company's close focus on specific markets and product families, and to serve its customers more effectively. It also enables the business units to maintain their identities and visibility.

ASK and Data 3 offer manufacturing and financial management applications for the manufacturing industry. Ingres provides relational database software, data access products, and application development tools that are used in industries such as banking, government, manufacturing, utilities, and telecommunications.

The new structure gives each business unit wide latitude in defining appropriate products and markets. It also ensures a continued high level of accountability in the Company's operations. Each unit is a profit center. This lends itself to better internal financial controls. For example, the Company has refined its controls in terms of aligning research and development (R&D) costs more closely with revenue per product family. Each unit is a stand-alone business with separate R&D, sales, service, marketing, accounting, and human resource functions. The corporate organization will continue to establish overall operating policies and undertake business development.

All ASK business units continue their emphasis on service and support for their customers. ASK Computer Systems' North American Response Center activities were placed under the direction of one manager. Implementation of a professional call dispatching system further improved the unit's ability to respond quickly to customer calls. For example, 93 percent of initial customer calls to the Western Response Center were returned within one hour—up from 88 percent a year ago. Most important, the reorganization has enabled the Customer Service Department to

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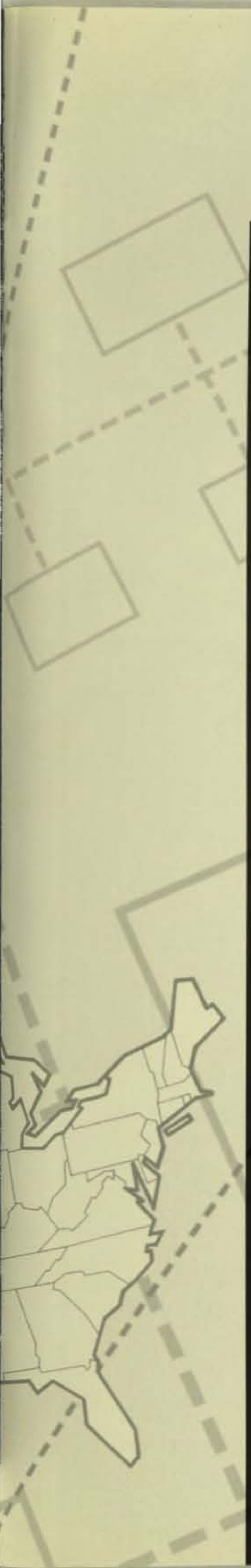
Eric Carlson, Ph.D., President, ASK Computer Systems



become more proactive than ever before. Managers now spend at least 10 to 15 percent of their time with customers who *don't* have a problem. The time is spent learning about the customer's business, sharing ideas and information, and attending user group meetings. Have these changes proved successful? A recent customer survey shows that satisfaction from MANMAN customers reached its highest level in the Company's history.

Data 3 also made a major investment in customer service during the past fiscal year. Highlights include a redesign of all documentation and implementation of ASKit™—24-hours-a-day, 7-days-a-week electronic support. ASKit includes a bulletin board, downloadable "bug" fixes, and a question-and-answer database.

At Ingres, the Customer Support and Services group expanded the scope and quality of its operations. Technical Support improved its response time by 30 percent while the call load increased 18 percent. The Consulting organization expanded its services to take projects ranging from initial design to development assistance and performance tuning. Over 5,000 students have attended educational services classes, either at an Ingres center or at their site. Student evaluations of Ingres classes are consistently high.

The Company's reorganization also resulted in several important management changes during the past fiscal year. Les Wright, chief financial officer for the past five years, assumed an additional role as chief administrative officer for The ASK Companies. Eric Carlson, Ph.D., with 19 years of experience at IBM and Convergent Technologies, is president of ASK Computer Systems. Dennis McGinn, a 20-year HP veteran, is president of Ingres. And David Sohm, who joined the Company in 1984, is president of Data 3. Wright, Carlson, McGinn, and CEO Sandra Kurtzig form the Company's executive operating committee. With the latest additions to its top management team, the Company has the most well-rounded executive team in its history.

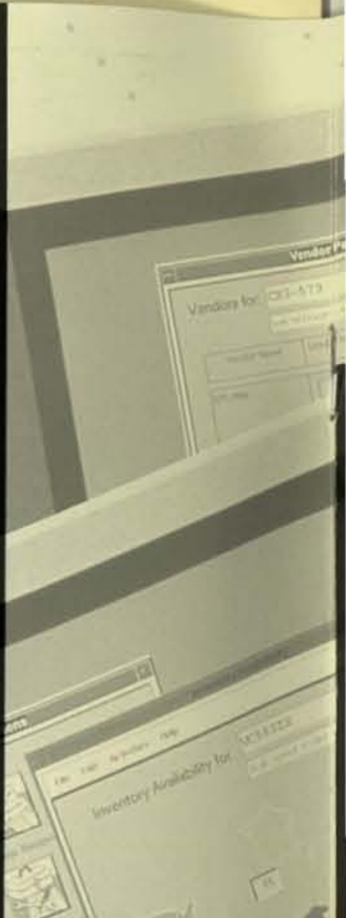
TECHNOLOGY WITH A MISSION

From the first abacus to the latest workstation, the heart of computing has always been the ability to manage and manipulate data. Client-server computing, including personal computers, workstations and multi-processor servers, provides an opportunity for information technology to dramatically improve information management in most organizations. The key is increasingly sophisticated software. It must be so flexible, reliable, and powerful that customers can use it for "make or break" operations.

To become the leader in supplying such software, the Company has technology strengths in three critical areas: data management, application development tools, and applications.

The Company's acquisition of Ingres provided leading edge technology in two areas: data management and application development tools. Underpinning its technology strategy is the INGRES relational database management system, the industry's first intelligent database. It is the first RDBMS to manage not only data, but knowledge (business rules) and objects (nonconventional data such as maps and pictures) as well. Operating on all of the most popular hardware platforms, the INGRES Intelligent Database enables customers to develop and operate "mission critical" information systems for the client-server environment.

Ingres has long been a leader in providing application development tools that enable programmers to create sophisticated, mission-critical applications based on INGRES. These tools can dramatically reduce the time it takes to develop applications. Ingres provides an integrated application development environment with tools for both character-based and graphical user interface (GUI)-based applications. Each suite of tools shares a common interface, is based on a fourth-generation-language (4GL), and is aimed at a range of users from the novice to sophisticated programmer.



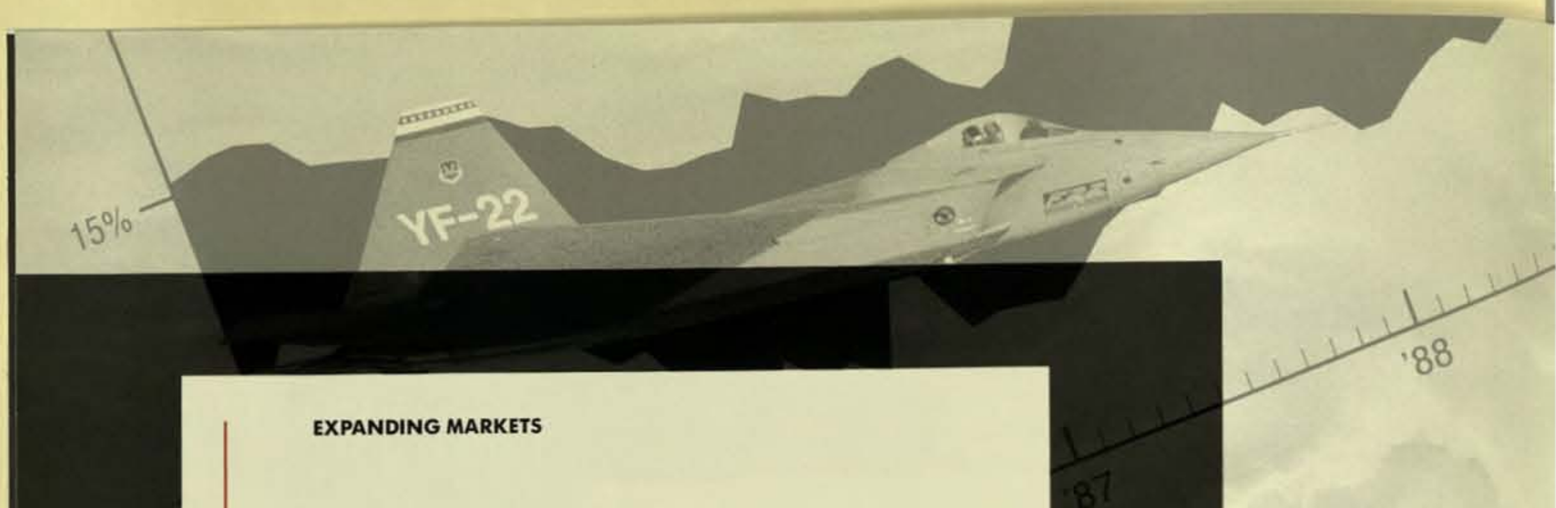
Dennis McGinn, President, Ingres ▶

On the application side, ASK's technological direction has always been driven by the business needs of its customers. Manufacturers increasingly want information flow to link the entire enterprise from purchasing through manufacturing to distribution. They want to operate as single global organizations and overcome the lack of integration caused by decentralization. This new class of manufacturing information technology has been termed enterprise resource planning (ERP). It will become a key technology for world class companies.

An ERP system, by definition, reflects the highly distributed nature of a global manufacturing enterprise. Its construction requires the sophisticated technology that Ingres products uniquely provide, including a distributed RDBMS, client-server architecture, GUI, and gateways. ASK ADVANCE, a new product line now under development, will show that ASK Computer Systems is a leader in ERP systems. It will also be ASK's first application series based on Ingres technology. Does ERP mean the end of MRP II? No. Rather, ERP encompasses MRP II as its plant-level component. Companies will implement ERP progressively — one operational area at a time.

The bottom line is leverage. By combining Ingres information management technologies with ASK's application expertise, the Company leverages the strengths of both organizations. The requirements of application developers help guide the Ingres technologies. And the Ingres technologies are used in developing ASK's applications. They can provide components and modules that can be used by application developers in many industries to create high quality, client-server business applications. Most important, The ASK Companies now joins a select group of major computer industry players, such as IBM and Microsoft, that have maintained leadership in multiple technologies. The ASK Companies will use these technologies to provide the best software for the rapidly expanding client-server market.

ASK will use these technologies to provide the best software for the rapidly expanding client-server market.



EXPANDING MARKETS

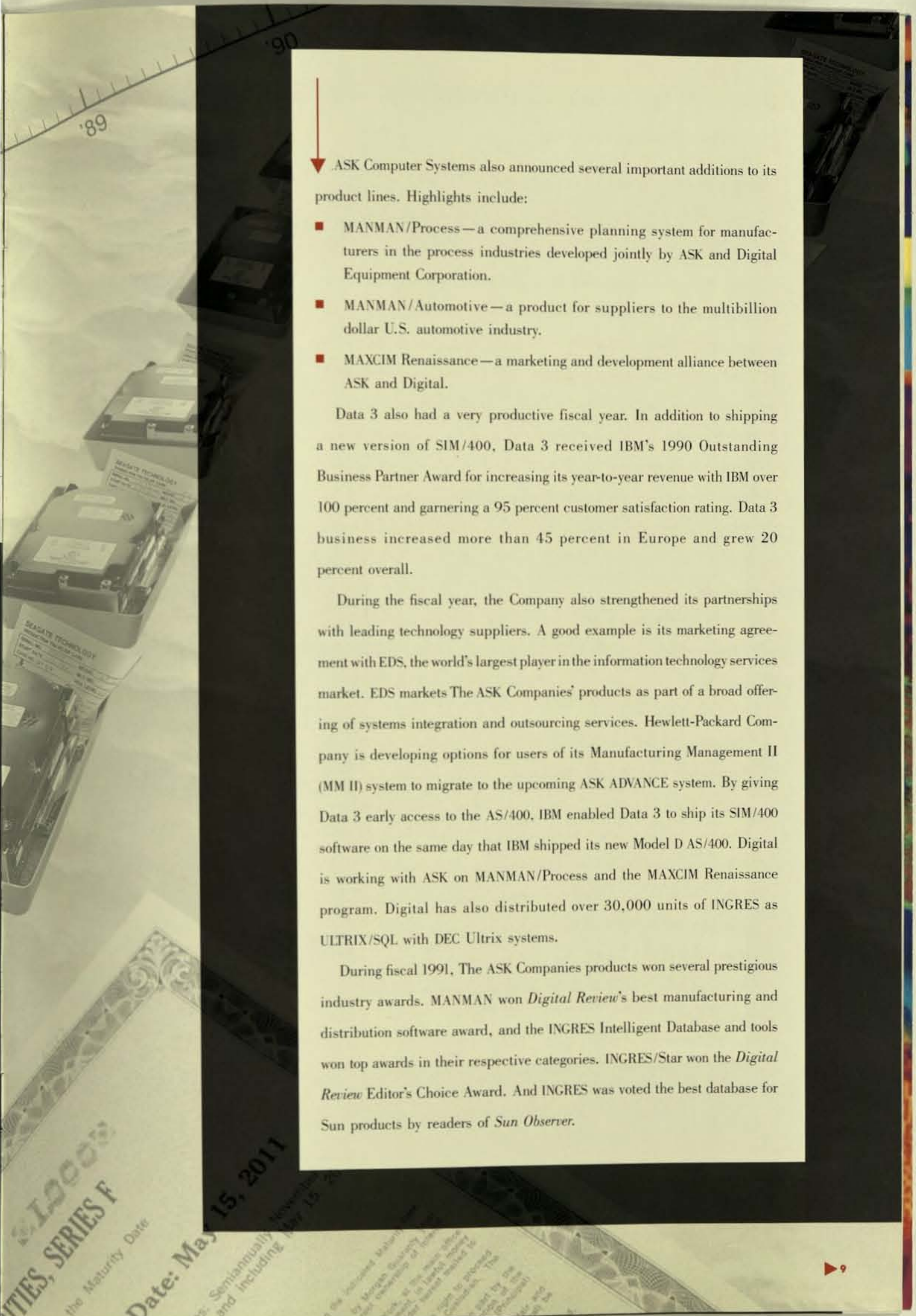
The Company began fiscal 1991 as a highly regarded niche vendor of manufacturing management information systems. It ended the year as one of the largest software companies in the world. In addition to its traditional manufacturing base, it now serves markets as diverse as banking, finance, transportation, telecommunications, and government with its Ingres products. In fact, 23 percent of The ASK Companies' business is now derived from non-manufacturing industries. And its operations are conducted in an increasingly multinational environment. The Company now has more than 2,000 employees around the globe: 26 percent in Europe, 5 percent in Asia/Pacific and 69 percent in North America. Nearly 40 percent of the Company's business is now done outside the United States.

Many of the products announced in fiscal '91 are at the beginning of their life cycles.

All three of the Company's business units released major new products or enhancements during the past year. Many of the products announced in fiscal '91 are at the beginning of their lifecycles. This is extremely important. By complementing more mature products, they enable the Company to maintain a healthy mix of products in varying stages of maturity. Ingres introduced a number of advanced products that increase programmer productivity. They include:

- INGRES/Windows4GL—the world's most advanced graphical user interface development tool.
- INGRES/Vision—an advanced application and code generator for character-based applications.
- INGRES/SmartLook—a product that gives a Macintosh-type interface to character-based applications developed with INGRES tools.
- INGRES Intelligent Database—an advanced relational database management system. The number of new INGRES customers continues to grow dramatically. Over the past two fiscal years, INGRES license revenue from new customers more than doubled, increasing from 25 percent of license revenue in fiscal '89 to 58.5 percent in fiscal '91.

David Sohm, President, Data 3



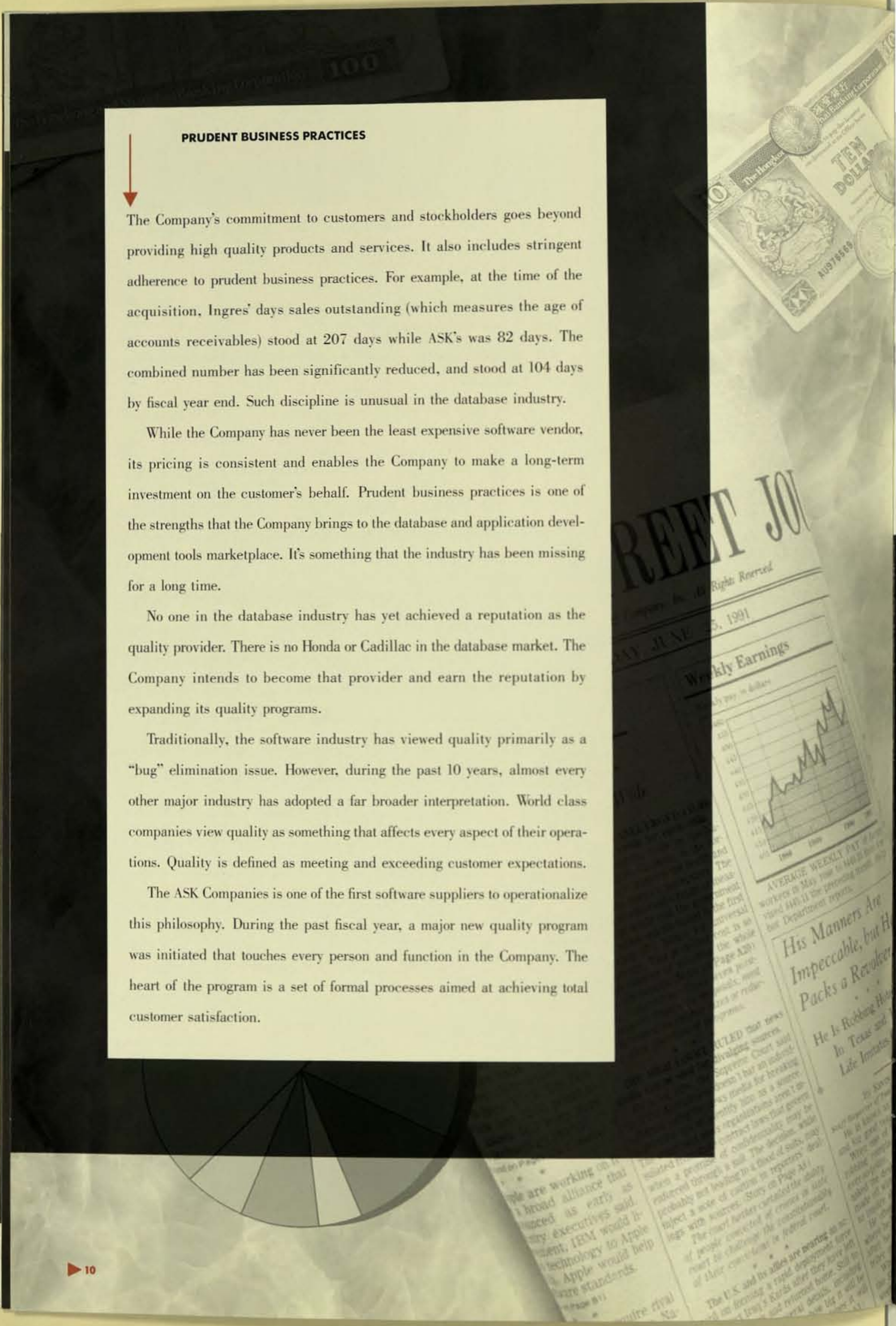
ASK Computer Systems also announced several important additions to its product lines. Highlights include:

- MANMAN/Process—a comprehensive planning system for manufacturers in the process industries developed jointly by ASK and Digital Equipment Corporation.
- MANMAN/Automotive—a product for suppliers to the multibillion dollar U.S. automotive industry.
- MAXCIM Renaissance—a marketing and development alliance between ASK and Digital.

Data 3 also had a very productive fiscal year. In addition to shipping a new version of SIM/400, Data 3 received IBM's 1990 Outstanding Business Partner Award for increasing its year-to-year revenue with IBM over 100 percent and garnering a 95 percent customer satisfaction rating. Data 3 business increased more than 45 percent in Europe and grew 20 percent overall.

During the fiscal year, the Company also strengthened its partnerships with leading technology suppliers. A good example is its marketing agreement with EDS, the world's largest player in the information technology services market. EDS markets The ASK Companies' products as part of a broad offering of systems integration and outsourcing services. Hewlett-Packard Company is developing options for users of its Manufacturing Management II (MM II) system to migrate to the upcoming ASK ADVANCE system. By giving Data 3 early access to the AS/400, IBM enabled Data 3 to ship its SIM/400 software on the same day that IBM shipped its new Model D AS/400. Digital is working with ASK on MANMAN/Process and the MAXCIM Renaissance program. Digital has also distributed over 30,000 units of INGRES as ULTRIX/SQL with DEC Ultrix systems.

During fiscal 1991, The ASK Companies products won several prestigious industry awards. MANMAN won *Digital Review*'s best manufacturing and distribution software award, and the INGRES Intelligent Database and tools won top awards in their respective categories. INGRES/Star won the *Digital Review* Editor's Choice Award. And INGRES was voted the best database for Sun products by readers of *Sun Observer*.



PRUDENT BUSINESS PRACTICES

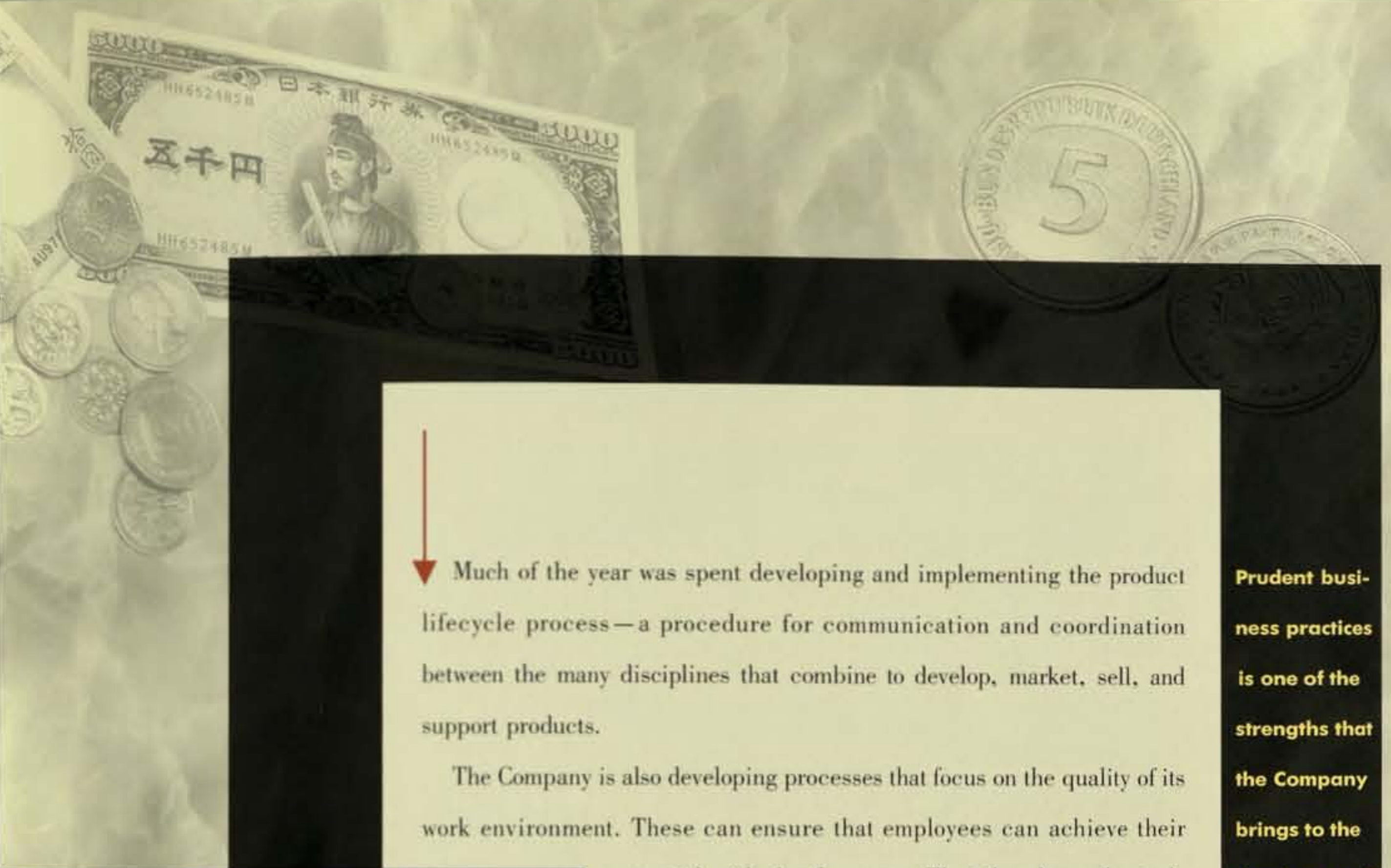
The Company's commitment to customers and stockholders goes beyond providing high quality products and services. It also includes stringent adherence to prudent business practices. For example, at the time of the acquisition, Ingres' days sales outstanding (which measures the age of accounts receivables) stood at 207 days while ASK's was 82 days. The combined number has been significantly reduced, and stood at 104 days by fiscal year end. Such discipline is unusual in the database industry.

While the Company has never been the least expensive software vendor, its pricing is consistent and enables the Company to make a long-term investment on the customer's behalf. Prudent business practices is one of the strengths that the Company brings to the database and application development tools marketplace. It's something that the industry has been missing for a long time.

No one in the database industry has yet achieved a reputation as the quality provider. There is no Honda or Cadillac in the database market. The Company intends to become that provider and earn the reputation by expanding its quality programs.

Traditionally, the software industry has viewed quality primarily as a "bug" elimination issue. However, during the past 10 years, almost every other major industry has adopted a far broader interpretation. World class companies view quality as something that affects every aspect of their operations. Quality is defined as meeting and exceeding customer expectations.

The ASK Companies is one of the first software suppliers to operationalize this philosophy. During the past fiscal year, a major new quality program was initiated that touches every person and function in the Company. The heart of the program is a set of formal processes aimed at achieving total customer satisfaction.



Much of the year was spent developing and implementing the product lifecycle process—a procedure for communication and coordination between the many disciplines that combine to develop, market, sell, and support products.

The Company is also developing processes that focus on the quality of its work environment. These can ensure that employees can achieve their potential with the Company. That they have the tools needed to excel at their jobs. That they receive appropriate education and training. That they can continue to count on a creative work environment. These internal quality issues are a top priority. The Company has a reputation as an excellent place to work. It will do everything necessary to maintain that reputation as it grows.

Is our commitment to quality paying off? Just look at the improvement in our software distribution during fiscal 1991. When the Company acquired Ingres, approximately one out of every five Ingres tapes shipped was defective. Today it's 1 out of 100. And we have a plan to improve it to 1 out of 10,000. In our ASK unit, the accuracy of tape distribution improved from 80 percent to 98 percent.

High quality products. Prudent business practices. Leading edge technology. Innovative partnerships. Experienced executives. These are the elements of success for software companies in the '90s. The ASK Companies has assembled them all. But what really makes us stand out is our vision. In an industry crowded with gurus and gadflies, we know exactly where we are going. We know how to get there. And most important, we are now well on our way.

Prudent business practices is one of the strengths that the Company brings to the database and application development tools marketplace.

◀ Les Wright, Chief Financial and Administrative Officer, The ASK Companies

Selected Customers

3M

AEROQUIP CORP.

AKZO

AMERICAN FIBRIT

ARMÉE DE TERRE, FRANCE

ASIA PACIFIC BREWERIES

AT&T NETWORK SYSTEMS NEDERLAND B.V.

BAXTER HEALTHCARE CORP.

BEKAERT

BP

BRITISH AEROSPACE

BTU INTERNATIONAL

C.E. NIEHOFF & CO.

CABOT MEDICAL CORP.

CAERE CORPORATION

CARBIDE INTERNATIONAL

CATHAY PACIFIC AIRWAY LTD.

CENTIGRAM

CHARTHAM PAPER MILLS LTD.

CHASE MANHATTAN BANK

CRANE CO.

CONNOR PERIPHERALS PTE LTD.

CONVEX COMPUTER CORP.

CORNING ADVANCED MANUFACTURING

CUSHMAN

DANA CORPORATION

DEICO SYSTEMS

EASTMAN KODAK CO.

EATON CORP.

EG&G ROTRON

ESSELTE UNION

ESTERLINE

EVEREX

FLINT INDUSTRIES

FLOUROWARE

GEC PLESSEY

GKN COMPUTER SERVICES, INC.

GENERAL INSTRUMENTS

GERBER SCIENTIFIC PRODUCTS

GRAHAM COMPANY

GRIFFITH LABORATORIES

GTE SPACENET CORPORATION

HITACHI

HOTPOINT LTD.

IMED CORP.

INGERSOLL

INTERLAKE

KUBOTA PACIFIC

L'ORÉAL

LEICA INC.

LOCKWOOD CORP.

MIDMARK CORP.

MITSUBISHI HEAVY INDUSTRIES, LTD.

MOORE PRODUCTS

NESTLE

NEUTROGENA CORP.

NIPPON TELEGRAPH AND TELEPHONE CORP.

OLIVETTI SUPPLIES INC.

PHILIPS TELECOMMUNICATIONS

POLAROID

QUANTEL

REEVES-HOFFMAN

REPUBLIC TELCOM SYSTEMS

REQUEST FOODS, INC.

SCHLEGEL CORP.

SCHLUMBERGER

SEAGATE

SEIKO EPSON CORP.

SENTINEL

SGS THOMSON

SHELDAHL

SHIMADZU

SIEMENS

SMITHS INDUSTRIES

SNCF

SPECTRA-PHYSICS

SPRAGUE ALUMINUMS

STAIR MASTER

SUGIMEDICS

SUMITOMO CHEMICAL CO., LTD.

TERADYNE INC.

THE CROSS COMPANY

TIMEPLEX

TRI VALLEY GROWERS

TRW STEERING & SUSPENSION SYSTEMS

UNITED TECHNOLOGIES

WARNER LAMBERT CO.

WAYNE MANUFACTURING

WESTERN DIGITAL

YORK INDUSTRIES INC.

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Unterberg Harris

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Chairman
Waterman & Miller, Inc.

FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ASK Computer Systems, Inc. (the Company) consists of three decentralized business units, Ingres, ASK Computer Systems (ASK) and Data 3. The ASK and Data 3 business units develop, market and support integrated information systems for manufacturing companies. The Ingres business unit develops, markets and supports relational database software, data access products and application development tools.

The Company's revenue is derived from computer systems sales, software sales and sales of a full range of services. Computer system sales include licensing of proprietary software and reselling/licensing of third party computer hardware and software products on a turnkey basis. Service revenues include maintenance contracts (including updates to software products), on-line remote processing (ASKNET), education, technical support, application integration and implementation consulting.

The Company's costs of revenue and resulting gross margin vary significantly by type of revenue (i.e., software products and services have a higher gross margin than computer hardware). Significant fluctuation in the gross margin percentage can occur from quarter to quarter depending on the components of revenue, especially the ratio of hardware to software revenue. Further impacting the variation in gross margin percentage is the Company's acquisition of Ingres Corporation (Ingres) in the second quarter of fiscal 1991. Ingres' revenue is derived substantially from the sale of comparatively higher margin software. During the quarters of fiscal 1991, 1990 and 1989, gross margin ranged from 71% in the second quarter of 1991 to 47% in the fourth quarters of 1990 and 1989.

Because of the significant fluctuation in gross margin by revenue type, overall gross margin dollars are a more reliable reference point for evaluating operating expenses. For example, a decision to increase product development expenses would not be made based on an increase in comparatively lower margin hardware revenue.

The following table sets forth operating results as a percentage of gross margin for fiscal years 1991, 1990 and 1989 and the percentage change of such results from the prior fiscal year:

	Percentage of Gross Margin			*Percentage Increase (Decrease)*	
	1991	*1990*	*1989*	*1990 to 1991*	*1989 to 1990*
Gross margin	100%	100%	100%	120%	11%
Product development	14	16	15	81%	23%
Selling, general and administrative	76	72	62	132%	29%
Amortization of goodwill and other purchased intangibles	5	4	2	182%	63%
Total expenses	95	92	79	125%	29%
Operating income	5	8	21	51%	(58)%
Interest and other income, net	1	1	2	(3)%	(26)%
Interest expense	2	—	—	NM	—
Income before income taxes	4%	9%	23%	(9)%	(55)%
Net income as a percent of revenue	1%	2%	7%	(47)%	(63)%

On October 22, 1990, the Company substantially completed the acquisition of Ingres. Ingres' operating results are included in the accompanying consolidated financial statements from that date. The changes in the Company's consolidated results of operations for fiscal 1991 as compared to fiscal 1990 are due primarily to the inclusion of Ingres' operations from the date of acquisition unless otherwise explained.

RESULTS OF OPERATIONS

1991 vs 1990

Revenue for fiscal 1991 increased 66% over 1990. Systems revenue, which includes both software license and resold hardware revenues, increased 70% while service revenue increased 54%. Ingres accounted for 38% of net consolidated revenue in fiscal 1991 and 96% of the increase in revenue over fiscal 1990. Data 3 accounted for the remainder of the increase in revenue over fiscal 1990 as ASK revenue was essentially unchanged in fiscal 1991 from fiscal 1990. However, fiscal 1991 fourth quarter revenue for ASK increased 9% over the same quarter in fiscal 1990. Management attributes the slower than expected growth in ASK for the year to uncertainty over world events, including the Persian Gulf War, general economic conditions and the cumulative effect of sales management changes which hampered focused and consistent leadership within the ASK sales force for much of the year. During the fourth quarter of fiscal 1991, many of these situations were resolved and resulted in revenue growth patterns more in line with management expectations.

Gross margin dollars increased 120% in fiscal 1991 over fiscal 1990. Gross margin as a percentage of revenue increased from 49% in 1990 to 65% in 1991. The increases in systems gross margin and overall gross margin percentage for fiscal 1991 are related primarily to the change in the relative mix of hardware and software included in systems revenue, resulting from the inclusion of Ingres software revenue since its acquisition in October 1990. The software component of systems has a lower cost than that of the resold hardware. The decline in year-to-year service gross margin is due to the impact of including Ingres service revenue, which has greater related costs than that of ASK. The Company expects its overall gross margin percentage to continue to be greater than amounts reported in prior years due to the change in product mix resulting from the acquisition of Ingres.

Product development expenses increased 81% in fiscal 1991 compared to fiscal 1990 and includes $1,600,000 of purchased in-process research and development that was expensed at the time of the acquisition of Ingres. Software development costs capitalized under the provisions of Statement of Financial Accounting Standards No. 86 (FAS 86) were $8,916,000 in fiscal 1991 compared to $2,203,000 in fiscal 1990. Software development costs capitalized vary from period to period depending on the timing and duration of beta testing of software products.

Before the adjustment related to FAS 86, product development costs increased 107% over fiscal 1990. This increase is attributable to the acquisition of Ingres, general increases in salaries and the continued expansion of the development efforts related to ASK ADVANCE, ASK's new "open system" application product.

Virtually all of the 132% increase in selling, general and administrative expense is attributable to the acquisition of Ingres. Ingres accounted for 53% of consolidated selling, general and administrative expense in fiscal 1991.

Amortization of goodwill and other purchased intangibles increased 182% over fiscal 1990. This increase is directly related to the goodwill and purchased intangibles arising from the acquisition of Ingres.

Interest expense became significant to the Company in fiscal 1991 due to the debt incurred to finance the acquisition of Ingres.

The Company's tax rate as a percentage of pretax income increased from 48% in fiscal 1990 to 69% in fiscal 1991. The primary reasons for the higher rate in 1991 are the increase in goodwill amortization, which is not deductible for tax purposes, and the change in the geographic mix of business between U.S. and foreign pretax earnings.

1990 vs 1989

The Company's net revenue increased 11% to $207,486,000 in 1990 compared to 1989. The year-to-year increase in revenue of $21,193,000 is attributed mainly to the inclusion of revenue from Data 3 which was acquired by the Company in September 1989, and to higher revenue from service business. Services increased to 25% of revenue in 1990 from 22% in 1989. The increase in service business revenue reflects a Warranty-Plus price increase which became effective in fiscal 1990. While revenue increased, the Company was affected by a generally lower level of demand in its market and some delays in customer approvals during 1990. The Company did, however, experience continued success of its installed base sales program, under which add-on sales are made to existing customers.

Gross margin dollars increased 11% to $101,250,000 in 1990. Gross margin percentage was unchanged at 49% for both 1990 and 1989.

Product development expenses increased 23% to $16,549,000 in 1990 compared to 1989. The year-to-year increase in product development expenses is attributed to general increases in salaries, the addition of Data 3, and continued expansion of the Company's development efforts related to ASK ADVANCE, the Company's new "open system" application product. The increase also reflects the costs of development associated with the Company's new process manufacturing product, which was introduced in July 1990. Product development expense was 16% of gross margin dollars in 1990 compared to 15% in 1989.

Product development costs before adjustment for capitalization of software development costs pursuant to Statement of Financial Accounting Standard No. 86, increased 31% in 1990 compared to 1989. Capitalized software development costs were $2,203,000 in 1990 compared to $869,000 in 1989.

Capitalized software development costs vary from year to year because these costs are determined by the expenses for salaries and benefits costs, and other costs incurred for employees assigned to work on the Company's software products during their beta testing period. The timing and duration of beta test periods and the number of employees assigned to the project will vary with each product.

Selling, general and administrative expenses increased 29% to $72,868,000 in 1990 compared to 1989. Expressed as a percent of gross margin dollars, expenses increased to 72% of gross margin in 1990 from 62% in 1989. The $16,318,000 increase is due primarily to continued growth in the domestic field sales and service organizations, the addition of Data 3, international expansion, costs associated with a special advertising campaign and higher legal fees associated with the ongoing class action lawsuit (see Note 8 to Notes to Consolidated Financial Statements).

Amortization of goodwill and other purchased intangibles increased 63% to $3,938,000 in 1990 from $2,409,000 in 1989. The increase results from the acquisition of Data 3.

Interest and other income decreased 27% in 1990 from 1989. This decrease is due to a lower level of invested cash as a result of the purchase of Data 3 and to foreign exchange losses.

The effective tax rate in 1990 was 48% compared to 36% in 1989. The increase in the tax rate is due primarily to increased amortization of goodwill which is not deductible for tax purposes, combined with a significantly lower level of pretax earnings.

FIRST QUARTER OF FISCAL 1992

Historically, the Company has experienced seasonal fluctuations in revenue. Typically, revenue in the first quarter of each year declines significantly from the fourth quarter of the previous fiscal year. Because of this pattern, the Company expects to experience a reduction in revenue in the quarter ended September 30, 1991 from the quarter ended June 30, 1991. While it is difficult to predict the magnitude of the decline, the Company currently expects that it will result in a net loss in the first quarter of fiscal 1992.

During the first quarter of fiscal 1992, the Company announced a new decentralized business structure consisting of three business units and a Corporate function. This structure is designed to maintain the Company's close focus on product families, as well as to serve its customers more effectively. Management of each of the Ingres, ASK and Data 3 business units intends to examine closely the cost structure of their respective units and to take appropriate measures to contain costs. The Corporate function will provide a top level management focus for the Company as well as providing to the individual units those services which will benefit from economies of scale.

The American Institute of Certified Public Accountants (AICPA) is expected to issue its Statement of Position on Software Revenue Recognition (the SOP) during early fiscal 1992. The SOP will require the Company to recognize revenue related to Warranty-Plus (maintenance) contracts ratably over the contract period instead of upon invoicing which is the Company's current policy for that service. The SOP will also require that the Company retroactively restate its previously issued financial statements for the change in policy. If the Company had implemented this policy in 1991 its revenue and net income would have increased by approximately $1,148,000 and $356,000 respectively.

FINANCIAL CONDITION

At June 30, 1991, the Company had worldwide credit facilities of $75 million of which it had outstanding borrowings of $45 million at June 30, 1991, to finance, in part, the acquisition of Ingres. Additional borrowings under the Revolving Credit Agreement are tied to eligible accounts receivable. At June 30, 1991, approximately $26 million was available for future borrowings. See Note 5 of Notes to Consolidated Financial Statements for a more detailed description of the credit facility. Cash and short-term investments at June 30, 1991 totalled $24,652,000. At June 30, 1990, the Company had a $10 million unused revolving credit facility which has subsequently expired. Cash and short-term investments as of June 30, 1990 totalled $35,334,000.

During fiscal year 1991, the acquisition of Ingres had significant impact on the financial position of the Company. Cash of $120,093,000 was utilized for the purchase of Ingres. Portions of this cash arose from an increase in long-term debt and from the sale of stock to Hewlett-Packard and Electronic Data Systems. The remainder of the cash was provided by existing funds. In addition, current assets increased $82,411,000 or 81% and current liabilities increased $88,103,000 or 173% as compared to June 30, 1990, due largely to the addition of Ingres' current assets and current liabilities.

The Company intends to finance continuing operations through cash generated from operations, existing cash and short-term investments and available credit facilities. The Company believes that it will have adequate liquidity through internally generated funds and bank borrowings to fund operations through at least fiscal 1992.

UNAUDITED QUARTERLY RESULTS (In thousands, except per share data)

	First Quarter	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
Fiscal 1991:				
Net revenue	$44,482	$85,836	$85,724	$127,891
Gross margin	23,392	60,849	59,148	78,912
Operating income (loss)	760	1,944	(3,587)	12,842
Net income (loss)	711	405	(1,090)	2,626
Earnings (loss) per share	$ 0.05	$ 0.02	$ (0.06)	$ 0.15
Weighted average common and common equivalent shares outstanding	13,503	17,680	18,948	20,230
Fiscal 1990:				
Net revenue	$37,953	$50,171	$52,822	$ 66,540
Gross margin	18,668	24,291	26,835	31,456
Operating income	332	1,109	2,061	4,393
Net income	552	791	1,029	2,602
Earnings per share	$ 0.04	$ 0.06	$ 0.08	$ 0.19
Weighted average common and common equivalent shares outstanding	13,456	13,331	13,463	13,523

(See Note 2 to the Company's Notes to Consolidated Financial Statements concerning acquisitions.)

SELECTED FINANCIAL DATA* (In thousands, except per share data)

Five Year Summary	*1991*	*1990*	*1989*	*1988*	*1987*
Year Ended June 30:					
Net revenue	$343,933	$207,486	$186,293	$142,414	$ 98,305
Gross margin	222,301	101,250	91,129	74,571	49,775
Product development	29,928	16,549	13,422	11,876	8,288
Selling, general and administrative	169,312	72,868	56,550	47,480	32,778
Amortization of goodwill and other purchased intangibles	11,102	3,938	2,409	2,336	—
Operating income	11,959	7,895	18,748	12,879	8,709
Interest income (expense) and other income, net	(3,273)	1,670	2,299	2,543	3,825
Income taxes	6,034	4,591	7,557	4,627	4,533
Net income	2,652	4,974	13,490	10,795	8,001
Earnings per share	$ 0.15	$ 0.37	$ 1.00	$ 0.82	$ 0.62
Weighted average common and common equivalent shares outstanding	17,759	13,443	13,554	13,230	12,969
At June 30:					
Working capital	$ 45,583	$ 51,275	$ 61,925	$ 41,975	$ 73,620
Total assets	384,421	165,939	150,894	143,354	119,862
Total long-term debt and obligations	73,375	2,143	2,131	2,088	935
Stockholders' equity	171,952	112,805	105,722	91,375	82,040

**See Notes 2 and 3 of Notes to Consolidated Financial Statements concerning acquisitions and accounting for income taxes.*

CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share data)

Year ended June 30,	*1991*	*1990*	*1989*
Net revenue			
Systems	$264,063	$155,597	$144,811
Service	79,870	51,889	41,482
	343,933	207,486	186,293
Cost of revenue			
Systems	98,259	95,647	89,229
Service	23,373	10,589	5,935
	121,632	106,236	95,164
Gross margin	222,301	101,250	91,129
Operating expenses			
Product development	29,928	16,549	13,422
Selling, general and administrative	169,312	72,868	56,550
Amortization of goodwill and other purchased intangibles	11,102	3,938	2,409
Total operating expenses	210,342	93,355	72,381
Income from operations	11,959	7,895	18,748
Interest and other income, net	1,864	1,930	2,610
Interest expense	5,137	260	311
Income before income taxes	8,686	9,565	21,047
Provision for income taxes	6,034	4,591	7,557
Net income	$ 2,652	$ 4,974	$ 13,490
Earnings per share	$ 0.15	$ 0.37	$ 1.00
Weighted average common and common equivalent shares outstanding	17,759	13,443	13,554

See accompanying notes.

CONSOLIDATED BALANCE SHEETS (In thousands, except shares)

June 30,	*1991*	*1990*
Assets		
Current assets:		
Cash and cash equivalents	$ 24,652	$ 16,355
Short-term investments	—	18,979
Accounts receivable, less allowance for doubtful accounts of $11,012 ($2,988 in 1990)	146,674	60,655
Inventory	2,362	3,846
Prepaid income taxes	2,700	—
Other	8,289	2,431
Total current assets	184,677	102,266
Capitalized software development costs, net	7,109	1,116
Property, plant and equipment, at cost:		
Land and buildings	2,910	2,910
Equipment	57,135	26,345
Leasehold improvements	5,993	2,872
	66,038	32,127
Less accumulated depreciation and amortization	27,315	21,844
Net property, plant and equipment	38,723	10,283
Goodwill, net of accumulated amortization	90,799	41,086
Purchased intangibles, net of accumulated amortization	60,943	9,185
Other long-term assets	2,170	2,003
	$384,421	$165,939
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 10,119	$ 121
Accounts payable	40,537	22,629
Accrued payroll and related items	22,825	6,155
Other accrued liabilities	27,959	5,527
Current portion of other liabilities	2,493	—
Customer deposits	5,006	2,279
Deferred income taxes	—	13,569
Deferred revenue	30,155	711
Total current liabilities	139,094	50,991
Long-term debt, net of current portion	35,854	876
Other liabilities, net of current portion	7,876	1,267
Deferred income tax	29,645	—
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, 40,000,000 shares authorized; 19,266,052 shares outstanding (13,269,351 in 1990)	193	133
Additional paid-in capital	108,576	46,808
Retained earnings	69,360	66,708
Less treasury stock; 35,000 shares, at cost	(293)	(293)
Cumulative translation adjustment	(5,884)	(551)
Total stockholders' equity	171,952	112,805
	$384,421	$165,939

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (In thousands, except shares)

	Common Stock		*Additional Paid-in Capital*	*Retained Earnings*	*Treasury Stock*		*Cumulative Translation Adjustment*	
	Shares	*Amount*			*Shares*	*Amount*		*Total*
Balance at June 30, 1988	12,926,653	$44,074	$ —	$48,244	—	$ —	$ (943)	$ 91,375
Issuance of stock pursuant to stock option and stock purchase plans	196,459	1,666	—	—	—	—	—	1,666
Cumulative translation adjustment	—	—	—	—	—	—	(809)	(809)
Net income	—	—	—	13,490	—	—	—	13,490
Balance at June 30, 1989	13,123,112	45,740	—	61,734	—	—	(1,752)	105,722
Recapitalization in State of Delaware	—	(45,978)	45,978	—	—	—	—	—
Issuance of stock pursuant to stock option and stock purchase plans	146,239	371	830	—	—	—	—	1,201
Repurchase of common stock	—	—	—	—	(35,000)	(293)	—	(293)
Cumulative translation adjustment	—	—	—	—	—	—	1,201	1,201
Net income	—	—	—	4,974	—	—	—	4,974
Balance at June 30, 1990	13,269,351	133	46,808	66,708	(35,000)	(293)	(551)	112,805
Issuance of stock, net	5,565,863	56	58,557	—	—	—	—	58,613
Issuance of stock pursuant to stock option and stock purchase plans	430,838	4	3,211	—	—	—	—	3,215
Cumulative translation adjustment	—	—	—	—	—	—	(5,333)	(5,333)
Net income	—	—	—	2,652	—	—	—	2,652
Balance at June 30, 1991	19,266,052	$ 193	$108,576	$69,360	(35,000)	$(293)	$(5,884)	$171,952

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

Year ended June 30,	*1991*	*1990*	*1989*
Cash flows from operating activities:			
Net income	$ 2,652	$ 4,974	$ 13,490
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,141	9,349	7,714
Expense of in-process product development	1,600	—	—
Loss on disposal of property, plant and equipment	861	1,053	—
Changes in assets and liabilities, net of effect of acquisition of subsidiaries:			
Accounts receivable	(37,275)	(5,584)	(3,534)
Inventory	1,484	473	1,380
Prepaid income taxes	18,303	32	(32)
Accounts payable	4,860	2,943	(4,062)
Accrued payroll and related items	3,515	572	(1,076)
Other accrued liabilities	(11,797)	(3,065)	587
Customer deposits	2,727	(726)	(1,077)
Deferred income taxes	(13,075)	3,100	(592)
Deferred revenue	29,444	—	—
Other, net	4,308	1,302	1,296
Net cash provided by operating activities	30,748	14,423	14,094
Cash flows from investing activities:			
Capitalized software development costs	(8,916)	(1,625)	(869)
Capital expenditures	(6,299)	(4,125)	(2,501)
Acquisition of subsidiaries, net of cash acquired	(112,183)	(19,141)	—
(Increase) decrease in short-term investments	18,979	11,672	(8,023)
Net cash used for investing activities	(108,419)	(13,219)	(11,393)
Cash flows from financing activities:			
Proceeds from borrowings	101,469	—	—
Principal payments on borrowings	(75,302)	—	—
Principal payments on capital lease obligations	(1,049)	(1,841)	(900)
Issuance of stock, net	58,613	—	—
Issuance of stock pursuant to stock option and stock purchase plans	2,237	1,201	1,666
Purchase of treasury stock	—	(293)	—
Net cash provided by (used for) financing activities	85,968	(933)	766
Net increase in cash and cash equivalents	8,297	271	3,467
Cash and cash equivalents at beginning of year	16,355	16,084	12,617
Cash and cash equivalents at end of year	$ 24,652	$ 16,355	$ 16,084

See accompanying notes.

Note 1. Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of ASK Computer Systems, Inc. (the Company) and all of its wholly-owned subsidiaries, after elimination of intercompany accounts and transactions.

Revenue recognition: Systems and software revenue is generally recognized upon product shipment unless the Company is required to install the software prior to customer acceptance, in which case the revenue is recognized upon installation. Fixed license fees from major end-user customers and advance sublicense fees (minimum royalty payments) from OEMs and VARs are recognized as revenue when the software has been shipped, the customer meets certain criteria established by the Company and the fees are payable or will become payable within six months. Non-guaranteed per-copy sublicense fees from distributors, OEMs and VARs are recognized as revenue when they are reported by the distributor, OEM or VAR.

Maintenance revenues, including technical support and software update fees, are recognized when billed, usually on a quarterly or annualized basis, if no significant additional services are anticipated to be performed by the Company. If additional services are anticipated, then the related revenue is deferred and recognized ratably over the contract period. On-line remote processing service revenues (ASKNET) and customer education revenues are recognized upon performance of the service.

Foreign currency translation: Gains and losses resulting from foreign currency translation are accumulated as a separate component of stockholders' equity. Gains and losses resulting from foreign currency transactions are included in interest and other income, net, in the statement of income for each of the three years presented. Foreign exchange gains (losses) were $(473,000), $(369,000) and $6,000 in fiscal 1991, 1990 and 1989, respectively.

Earnings per share: Earnings per share are computed using the weighted average number of common shares outstanding during each period plus dilutive common stock equivalents (stock options) determined using the treasury stock method. Fully diluted earnings per share have not been presented as the differences are immaterial.

Cash equivalents: The Company considers as cash equivalents all highly liquid debt instruments with a maturity of three months or less from the date of investment.

Short-term investments: Short-term investments represent primarily investments in tax-exempt issues of various state and local governments and are carried at cost plus accrued interest which approximates market.

Inventory: Inventory consists of purchased computers and computer peripheral equipment for resale to customers in conjunction with the license of software. Inventories are stated at the lower of standard cost (which approximates first-in, first-out) or market.

Property, plant and equipment: Assets acquired prior to October 1, 1990 are depreciated as follows: equipment and leasehold improvements are depreciated through use of the sum-of-the-years digits method over the shorter of their estimated useful lives (primarily five years) or the applicable lease term. Buildings and furniture and fixtures are depreciated on a straight-line basis over their estimated useful lives (primarily twenty-five and six years, respectively.)

The Company has modified its depreciation method and estimated asset lives to conform all depreciation methods following the acquisition of Ingres Corporation. Beginning October 1, 1990, newly acquired equipment and leasehold improvements will be depreciated on a straight-line basis over the shorter of their estimated useful lives (generally five years) or the applicable lease term. Had the Company continued to depreciate its assets using the sum-of-the-years digits method, depreciation expense would have been approximately $3 million higher for the year ended June 30, 1991.

Software development costs: The Company capitalizes software development costs in accordance with Statement of Financial Accounting Standards No. 86. Such costs are amortized on a straight-line basis over the estimated useful life which ranges from one to three years or the ratio of current revenue to the total of current and anticipated future revenue, whichever is greater.

The capitalization and amortization of software development costs for the years ended June 30, 1991, 1990, and 1989 are (in thousands):

	1991	*1990*	*1989*
Balance, beginning of period	$1,116	$ 656	$1,309
Software development costs capitalized	8,916	2,203	869
Amortization of capitalized costs	2,923	1,743	1,522
Balance, end of period	$7,109	$1,116	$ 656

Goodwill and purchased intangibles: Goodwill and purchased intangibles have resulted from the Company's acquisition of businesses accounted for under the purchase method. Purchased intangibles, including assembled workforces, software technology, distribution networks, trademarks, tradenames and maintenance contracts, are being amortized over lives ranging from three to fifteen years. Goodwill is being amortized over lives ranging from fifteen to twenty years.

Concentration of credit risk: The Company develops, markets and supports management information systems, relational database software, data access products and application development tools to customers in diversified industries, primarily in North America and Europe. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral.

Reclassifications: Certain fiscal 1990 and 1989 amounts have been reclassified to conform to the financial statement presentation in fiscal 1991.

Note 2. Business Combinations

Acquisition of Ingres Corporation

On October 22, 1990, Palette ACQ Corporation, (Palette), a wholly-owned Delaware subsidiary of the Company, acquired 94% of the outstanding shares of Ingres Corporation (Ingres) for cash of $9.25 per share. On December 14, 1990 the remaining shares of Ingres common stock were acquired for $9.25 per share pursuant to the merger of Palette with and into Ingres, which resulted in Ingres becoming a wholly-owned subsidiary of the Company. Ingres, headquartered in Alameda, CA, develops, markets and supports relational database management systems, application development and data access products. The acquisition was treated as a purchase for accounting purposes. The purchase price of Ingres stock and related closing costs, less cash acquired was approximately $112,183,000. Goodwill and other long-term intangible assets of approximately $112,739,000 resulting from this acquisition are being amortized over lives ranging from five to fifteen years. Purchased in-process product development costs of $1,600,000 were expensed at the time of the acquisition. Operating results of Ingres are included in the accompanying consolidated financial statements beginning October 22, 1990.

The following unaudited pro forma combined results of operations for the two years in the period ended June 30, 1991, give effect to the acquisition of Ingres as though it had occurred at the beginning of that period (in thousands, except per share data):

	1991	*1990*
Net revenue	$377,878	$361,588
Net loss	$ (31,855)	$ (1,914)
Loss per share	$ (1.68)	$ (0.10)

The unaudited pro forma financial information is not necessarily indicative of the actual results that would have been achieved had the acquisition of Ingres been completed as of the beginning of fiscal 1991 or 1990.

Concurrent with the acquisition of Ingres, the Company sold 5,565,863 shares of its common stock and entered into a credit agreement to finance the tender offer for all the outstanding common stock of Ingres and the closing costs related to the acquisition. (See Notes 5 and 7.)

Acquisition of Data 3 Systems, Inc.

On September 21, 1989, ASK Subsidiary, Inc., a wholly-owned subsidiary of the Company, merged with and into Data 3 Systems, Inc. (Data 3), resulting in Data 3 becoming a wholly-owned subsidiary of the Company. Data 3, headquartered in Santa Rosa, CA, develops, markets and supports proprietary integrated manufacturing software systems and support services for the IBM System 36, 38 and AS/400 computer systems. Under the merger agreement Data 3 shareholders received cash for their Data 3 stock, in a taxable transaction treated as a purchase for accounting purposes. The purchase price for Data 3 stock and related closing costs, less cash acquired equals $19,141,000. Goodwill and other long-term intangible assets of approximately $22,705,000 resulting from this acquisition are being amortized over lives ranging from five to fourteen years. Operating results of Data 3 are included in the accompanying consolidated financial statements beginning September 21, 1989.

The following unaudited pro forma combined results of operations for the two years in the period ended June 30, 1990, give effect to the acquisition of Data 3 as though it had occurred at the beginning of that period (in thousands, except per share data):

	1990	*1989*
Net revenue	$208,876	$202,526
Net income	$ 3,384	$ 10,222
Income per share	$ 0.25	$ 0.75

The unaudited pro forma financial information is not necessarily indicative of the actual results that would have been achieved had the acquisition of Data 3 been completed as of the beginning of fiscal 1990 or 1989.

Note 3. Income Taxes

Effective July 1, 1988, the Company elected to adopt the method of accounting for income taxes pursuant to the Statement of Financial Accounting Standard No. 96 "Accounting for Income Taxes."

The provision for income taxes comprises (in thousands):

	1991	*1990*	*1989*
Current:			
Federal	$ 4,424	$ 607	$4,550
State	2,737	(164)	1,383
Foreign	1,586	832	659
	8,747	1,275	6,592
Deferred:			
Federal	(493)	2,031	293
State	(1,954)	1,283	396
Foreign	(266)	2	276
	(2,713)	3,316	965
	$ 6,034	$4,591	$7,557

grant. Options granted are generally exercisable over five years from the grant date. No charges have been made to income in connection with the plans.

As a result of the October 1990 acquisition of Ingres Corporation, all Ingres stock options outstanding and the plans pursuant to which the Ingres options were granted were assumed by the Company, with all Ingres options exercisable for shares of the Company's common stock after the application of the exchange ratio. Options under the Ingres plans were granted under conditions essentially equivalent to the Company's 1982 Stock Plan. Information regarding the Ingres options assumed is included in the table below. No further options can be granted under the Ingres plans and cancellations under the Ingres plans are not added back to shares available for grant.

In August 1991, the Board of Directors adopted, subject to obtaining stockholder approval, the 1991 Stock Plan. Under that plan, the Board or its designated committee may grant incentive or nonstatutory stock options, stock appreciation rights, restricted stock rights, stock bonus awards and stock awards based on performance criteria as determined from time to time. Under this plan, 2,000,000 shares have been reserved for issuance (or with respect to which rights may be exercised).

Director stock option plan: In 1988, the Company adopted a stock option plan under which options for a total of 150,000 shares of common stock may be granted to non-employee directors of the Company. Options granted under this plan are issued as nonstatutory options at a price equal to the fair market value on the date of grant. Options are generally exercisable over five years from the grant date. No charges have been made to income in connection with this plan.

Information with respect to the stock option plans is summarized as follows:

	Available for Grant	*Outstanding*	*Aggregate Price*	*Price Per Share*
Balance at June 30, 1989	1,227,508	1,710,016	$14,595,237	$6.75 –18.50
Options granted	(1,332,775)	1,332,775	10,341,918	7.125– 9.125
Options exercised	—	(31,701)	(249,621)	6.75 –10.50
Options cancelled	224,615	(224,615)	(2,349,614)	6.75 –18.50
Shares reserved	400,000			
Balance at June 30, 1990	519,348	2,786,475	22,337,920	6.75 –16.875
Options assumed under Ingres stock option plan	—	1,733,921	6,969,699	0.425–10.90
Options granted	(2,346,620)	2,346,620	12,921,897	4.938–10.00
Options exercised	—	(215,620)	(1,207,486)	0.425– 7.625
Options cancelled	2,372,636	(2,372,636)	(18,853,214)	0.425–16.875
Options expired	(315,327)			
Balance at June 30, 1991	230,037	4,278,760	$22,168,816	$0.425–16.875

On January 14, 1991, the Board of Directors granted optionees the right to exchange each then outstanding stock option with an exercise price greater than $4.9375 for a new option for 75% the number of outstanding shares, exercisable at $4.9375. The new options are generally exercisable over three years from the grant date. The above table reflects the cancellation of 1,628,484 stock options and issuance of 1,221,363 stock options in January 1991 under this program.

As of June 30, 1991, options for 2,231,272 shares were exercisable and there were 1,508 participants in the plans. As of June 30, 1990, options for 734,255 shares were exercisable.

Employee stock purchase plan: To provide employees with an opportunity to purchase common stock of the Company through payroll deductions, the Company established the 1990 Employee Stock Purchase Plan and initially reserved 250,000 shares of common stock for issuance to eligible employees. In August 1991, the Board of Directors, subject to obtaining stockholder approval, increased by 500,000 the number of shares reserved for issuance under this plan. Under this plan, the Company's employees, subject to certain restrictions, may purchase shares of common stock at the lesser of 85% of fair market value at either the beginning of each two-year offering period or the end of each six-month purchase period. As of June 30, 1991, 215,218 shares have been issued under this plan.

All shares reserved for the Company's 1981 Employee Stock Purchase Plan have been issued and that plan has been terminated.

▶ Note 8. Contingencies

Three purported class action complaints, alleging damages to persons who purchased common stock of the Company during the period February 28, 1985 through April 3, 1985, were filed in the United States District Court for the Northern District of California against the Company, its directors, certain of its officers and others.

On September 20, 1985 the court dismissed all three complaints in their entirety, and granted the plaintiffs leave to amend the complaints. The plaintiffs filed an amended consolidated complaint. On April 25, 1986, the court dismissed parts of the amended consolidated complaint. On December 29, 1986, the court issued an order granting summary judgment against certain claims asserted by the plaintiffs in the amended consolidated complaint, and certifying certain other claims for class action treatment. Subsequently, one of the three original plaintiffs voluntarily dismissed all of its claims. Pretrial discovery proceedings are now completed (except with respect to expert discovery). All of the defendants have filed motions for summary judgment. The court has granted the motion for summary judgment filed by the outside directors who were named as defendants, but denied the motions for summary judgment as to the Company and the employee directors and officers named as defendants. A mandatory settlement conference has been held and there was no resolution. The trial, previously scheduled for September 23, 1991, has been taken off the court's calendar. It is now anticipated that the trial will take place in early 1992.

On November 1, 1989, a separate purported class action complaint was served on the Company, alleging damages to the same class of stock purchasers and based on the same facts and circumstances as the earlier complaints. The new complaint, which was filed in the Superior Court of the State of California for San Mateo County, names the same defendants as the earlier federal court complaints and makes similar allegations regarding purported misstatements and omissions by the defendants. The complaint alleges causes of action under Sections 11 and 15 of the Securities Act. The court has granted defendant's demurrer to have the complaint dismissed without leave for the plaintiffs to amend. Counsel for the purported class has appealed that order. That appeal has been stayed by order of the Court of Appeals due to the bankruptcy of one of the parties, L. F. Rothschild, Unterberg, Towbin.

In the opinion of management the outcome of all of the above class action litigation will not materially affect the Company's consolidated financial position or results of operations.

On May 5, 1989, Intelligent Data Systems, Inc., East West Productions, Inc. and Paul Ryan filed a complaint against Ingres in the United States District Court for the Northern District of California. The complaint alleges various tort and contract causes of action and claims under Federal antitrust laws arising out of a licensing agreement between Ingres and Intelligent Data Systems, Inc. dated July 1, 1983. The complaint seeks general and compensatory damages of $10,000,000 and punitive damages of $25,000,000. Ingres has been and is vigorously defending the claims made against it. The Company believes the claims to be without merit and believes that the ultimate resolution will not have a material adverse effect upon the Company's consolidated financial condition or results of operations.

A portion of the Company's Ingres products revenue is subject to review by the General Services Administration for compliance with pricing policies and other issues. Management does not believe that settlement of any potential pricing issue or other potential claim would have a material effect on the consolidated financial condition or results of operations of the Company.

▶ Note 9. Transactions with Related Parties

The Company purchases equipment from Hewlett-Packard (HP) for use with several of its software products as a complete turnkey computer system. Approximately $33,998,000 of computer hardware was purchased from HP during fiscal 1991. Amounts payable to HP of approximately $8,348,000 are included in accounts payable at June 30, 1991.

Under an agreement commencing October 1, 1990, Electronic Data Systems Corporation (EDS) is to provide information technology services for the Company's data center, ASKNET, and corporate information systems through the ten year period ending September 30, 2000. Minimum annual commitments for information technology services under this agreement will be approximately $4,065,000 for fiscal 1992 and $4,095,000 per year through the remaining term of the agreement. Information technology service expenses were approximately $3,414,000 for the year ended June 30, 1991.

Pursuant to the above agreement, EDS also performed other general information technology services for the Company during fiscal 1991. Approximately $408,000 was earned by the stockholder for software development costs capitalized by the Company at June 30, 1991.

Amounts payable to EDS of approximately $860,000 are included in accounts payable at June 30, 1991.

Fees earned by professional service firms in which certain directors of the Company are principals were approximately $4,088,000, $1,175,000 and $167,000 in fiscal 1991, 1990 and 1989, respectively.

Note 10. Industry Segment and Geographic Information

The Company operates in a single industry segment and designs, markets and supports a variety of software products including management information systems applications, relational database software, data access products and application development tools. No customer accounted for more than 10% of total revenue in 1991, 1990 or 1989.

Information regarding geographic areas for the years ended June 30, 1991, 1990 and 1989 is as follows (in thousands):

	North America	Europe	Other	Eliminations	Total
Year Ended June 30, 1991:					
Sales to unaffiliated customers	$216,069	$103,850	$24,014	$ —	$343,933
Intercompany transfers	592	—	—	(592)	—
Net revenue	$216,661	$103,850	$24,014	$ (592)	$343,933
Operating income (loss)	$ (404)	$ 17,829	$ 5,636	$(11,102)	$ 11,959
Identifiable assets	$264,211	$105,658	$14,552	$ —	$384,421
Year Ended June 30, 1990:					
Sales to unaffiliated customers	$173,046	$ 22,236	$12,204	$ —	$207,486
Intercompany transfers	2,662	—	—	(2,662)	—
Net revenue	$175,708	$ 22,236	$12,204	$ (2,662)	$207,486
Operating income (loss)	$ 11,354	$ 441	$ 38	$ (3,938)	$ 7,895
Identifiable assets	$158,038	$ 15,039	$ 4,379	$(11,517)	$165,939
Year Ended June 30, 1989:					
Sales to unaffiliated customers	$158,231	$ 20,329	$ 7,733	$ —	$186,293
Intercompany transfers	938	—	—	(938)	—
Net revenue	$159,169	$ 20,329	$ 7,733	$ (938)	$186,293
Operating income (loss)	$ 22,575	$ (2,149)	$ 731	$ (2,409)	$ 18,748
Identifiable assets	$149,812	$ 9,572	$ 4,171	$(12,661)	$150,894

U.S. export sales were not material during fiscal 1991, 1990 and 1989.

Note 11. Supplemental Cash Flow Information

Supplemental cash flow information includes the following (in thousands):

Year ended June 30,	*1991*	*1990*	*1989*
Net cash paid during the year for:			
Interest	$ 4,114	$ 147	$ 311
Income taxes	$ 2,273	$ 2,618	$3,322
Equipment acquired under capital lease agreements	$ 1,397	$ —	$ —
Details of businesses acquired in purchase transactions are as follows:			
Fair value of assets acquired	$238,034	$28,405	$ —
Liabilities assumed	117,941	8,597	—
Cash paid for acquisition	120,093	19,808	—
Less cash acquired	7,910	667	—
Net cash paid for acquisition	$112,183	$19,141	$ —

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The responsibility for the integrity of the financial information included in this annual report rests with the Company's management. Such information has been prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and based on the Company's best estimates and judgement after giving consideration to materiality.

The Company maintains systems of internal accounting controls supported by formal policies and procedures which are communicated throughout the Company. These controls are adequate to provide reasonable assurances that assets are safeguarded from loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control, based on the recognition that the costs of such systems should not exceed the benefits to be derived. The Company believes its systems provide this appropriate balance.

Ernst & Young, the Company's independent auditors, review and evaluate the Company's internal accounting control systems to the extent they consider necessary in order to support their opinion on the consolidated financial statements. Their auditors' report contains an independent informed judgement as to the fairness, in all material respects, of the Company's reported results of operations and financial position.

To further assure objectivity and remove bias, the financial data contained in this report have been reviewed by the Audit Committee of the Board of Directors. The Audit Committee is composed of three outside directors who meet regularly with management and Ernst & Young, jointly and separately, to review internal accounting controls and auditing and financial reporting matters.

The Company maintains high standards in selecting training and developing personnel to ensure that management's objectives of maintaining strong, effective internal controls and unbiased, uniform reporting standards are attained. The Company believes its policies and procedures provide reasonable assurance that operations are conducted in conformity with applicable laws and with its commitment to a high standard of business conduct.

The Board of Directors and Stockholders
ASK Computer Systems, Inc.

We have audited the accompanying consolidated balance sheets of ASK Computer Systems, Inc. as of June 30, 1991 and 1990 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1991. 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 consolidated financial position of ASK Computer Systems, Inc. at June 30, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1991 in conformity with generally accepted accounting principles.

Ernst + Young

Palo Alto, California
August 2, 1991

Board of Directors
Sandra L. Kurtzig
Chairman and Chief Executive Officer
The ASK Companies

Paul C. Ely, Jr. (1)(2)
General Partner
Alpha Partners

Robert N. Sharpe (1)
Vice President, Business Development
EDS Corp.

Larry W. Sonsini (2)
Partner
Wilson, Sonsini, Goodrich & Rosati, P.C.

Thomas I. Unterberg (1)
Managing Director
Unterberg Harris

Robert H. Waterman, Jr. (2)
Chairman
Waterman & Miller, Inc.

(1) Member of the Audit Committee
(2) Member of the Executive Compensation Committee

Executive Officers
Sandra L. Kurtzig
Chairman and Chief Executive Officer
The ASK Companies

Eric D. Carlson, Ph.D.
Executive Vice President
The ASK Companies
President
ASK Computer Systems

Dennis McGinn
Executive Vice President
The ASK Companies
President
Ingres

Leslie E. Wright
Executive Vice President, Chief Financial and Administrative Officer and Assistant Secretary
The ASK Companies

Corporate Officers
Martin R. Browne
Vice President
ASK Computer Systems

Scott C. Neely
Vice President, General Counsel and Assistant Secretary
The ASK Companies

Braden Rippetoe
Vice President, Treasurer
The ASK Companies

David Sohm
President
Data 3

Larry W. Sonsini
Wilson, Sonsini, Goodrich & Rosati, P.C.
Secretary
The ASK Companies

Independent Public Accountants
Ernst & Young
Palo Alto, Calif.

Registrar and Transfer Agent
The First National Bank of Boston
Boston, Mass.

Outside Legal Counsel
Wilson, Sonsini, Goodrich & Rosati, P.C.
Palo Alto, Calif.

Annual Meeting

The annual meeting of the stockholders of ASK Computer Systems, Inc. (The ASK Companies) will be held at 10:00 a.m. on November 7, 1991 at the Company's headquarters located at 2440 W. El Camino Real, Mountain View, CA 94039-7640. All stockholders are encouraged to attend.

For additional copies of this annual report, contact the Investor Relations Department, The ASK Companies, 2440 W. El Camino Real, Mountain View, CA 94039-7640.

Form 10-K

A copy of the Company's Form 10-K, filed with the Securities and Exchange Commission, is available without charge upon written request to the Investor Relations Department, The ASK Companies, 2440 W. El Camino Real, Mountain View, CA 94039-7640.

Market Price of Common Stock

The Company's common stock is traded in the NASDAQ National Market System under the symbol "ASKI." The high and low sales prices are as reported by the NASDAQ National Market System.

Fiscal 1991	*High*	*Low*
First quarter ended September 30	$10.25	$6.63
Second quarter ended December 31	$ 7.38	$4.50
Third quarter ended March 31	$ 8.63	$4.38
Fourth quarter ended June 30	$ 8.88	$7.13

Fiscal 1990	*High*	*Low*
First quarter ended September 30	$14.63	$8.13
Second quarter ended December 31	$ 9.50	$6.63
Third quarter ended March 31	$ 9.88	$7.38
Fourth quarter ended June 30	$10.25	$7.38

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IBM and AS/400 are registered trademarks of International Business Machines. Macintosh is a registered trademark of Apple Computer, Inc. Manufacturing Management II is a trademark of Hewlett-Packard Company. Ultrix is a trademark of Digital Equipment Corporation.

The ASK Companies

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The ASK Companies European Operations

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United Kingdom
Tel: (44) 71-416-7770
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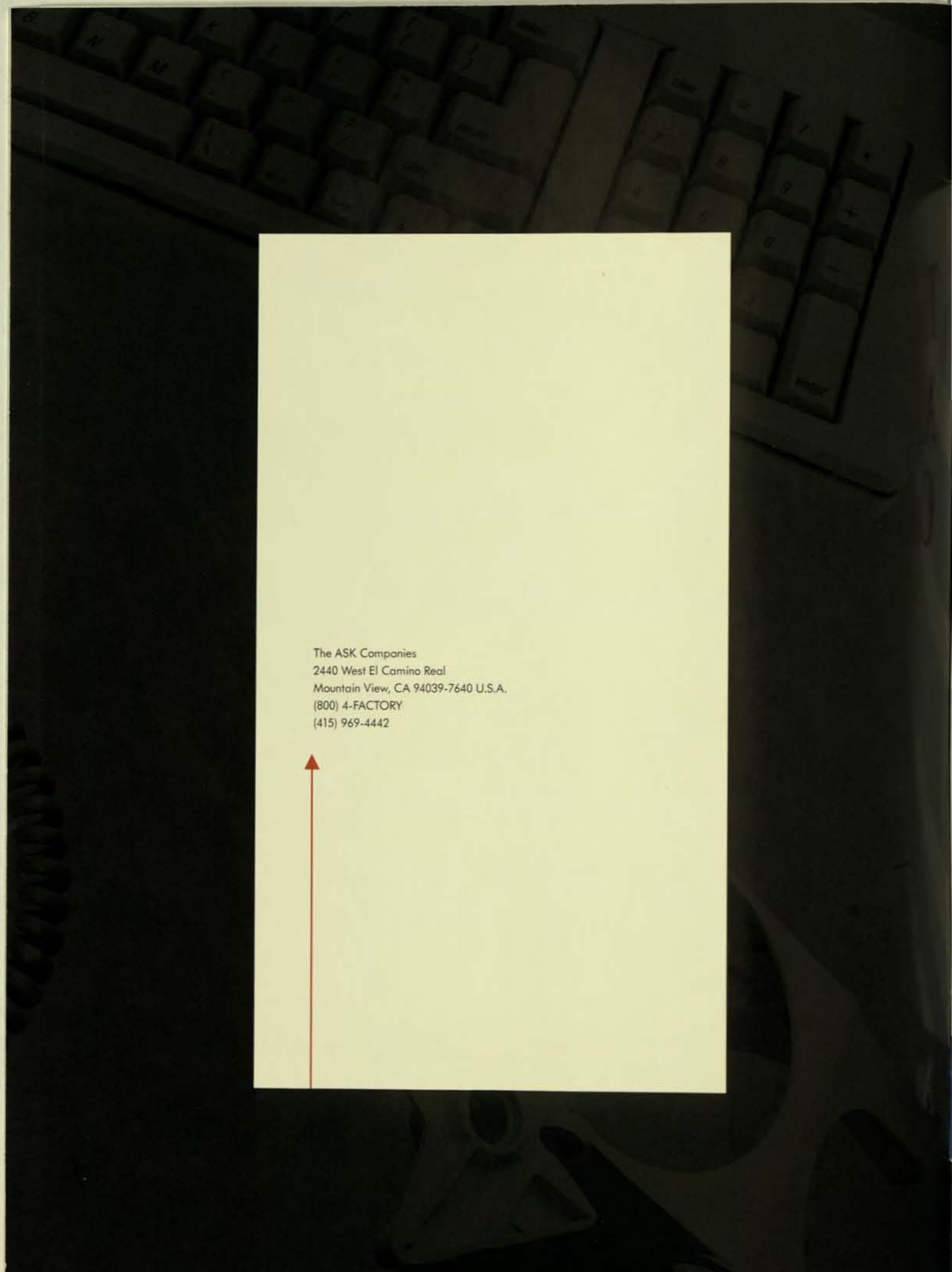

The ASK Companies
2440 West El Camino Real
Mountain View, CA 94039-7640 U.S.A.
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(415) 969-4442

The ASK Companies

An Unbeatable Team.

EMBARKING ON AN EXCITING NEW MISSION

As client-server computing continues to flourish in the '90s, the software linking disparate systems must undergo an incredible transformation.

The enterprise to guide this transformation must be a leader in data management. It must offer application development tools for a new generation of programmers. It must understand how to create and market major business applications. And it must have the marketing clout of one of the world's largest commercial software companies.

That enterprise is The ASK Companies. Our mission is to lead the worldwide software evolution to client-server business computing.

UNITED WE STAND

The spectacular business deals that brought the awesome power of Ingres, Data 3, and ASK Computer Systems together take advantage of critical trends in the market. But to wield the combined power of the three businesses effectively involved further transformation.

In August 1991, the enterprise was reorganized into three business units — ASK Computer Systems, Data 3, and Ingres — overseen by a new corporate entity: The ASK Companies.

The new arrangement is ideal because it retains the distinctive identity and valuable equity of each individual company. And since each business unit is operated as an independent company, with its own unique products, markets, and resources, the new structure fosters an entrepreneurial spirit.

Most importantly, the new organization introduces a unifying framework that ensures outstanding business practices, human resource values, communication standards, and operating philosophy—all designed to achieve our common mission.

THE ASK COMPANIES

ASK

Data 3

Ingres

While each business unit has exceptional freedom and flexibility, the corporate entity entitled The ASK Companies ensures common strategic goals, values, and standards.

THE SUM AND SUBSTANCE OF OUR FUTURE

Ingres offers the industry's most technologically advanced database along with tools for creating sophisticated mission-critical applications. Data 3 is a leading supplier of MRP II and control systems for IBM hardware. And ASK Computer Systems is the preeminent independent vendor of MRP II systems for HP and DEC hardware.

Individually, each business unit is a leader in its field. Together, we form one of the world's largest commercial software companies. What's more, now we have the financial strength and stability to challenge the market with new information management products and to lead the software evolution to client-server business computing.

BUILDING THE FUTURE

As a world-leading software corporation, The ASK Companies develops and markets the highest quality products. We actively engage the highest standards in research, manufacturing, marketing, and all other phases of our operations.

Equally important to our goals is the caliber of our people. Our organization has been strengthened and supported over the years by some of the industry's premiere professionals. Open communication and the free exchange of ideas distinguish a work environment that nurtures entrepreneurial spirit and encourages exceptional performance.

The future of the rapidly growing client-server computing industry is exciting to us. It gives us opportunities to contribute superior products and services that make a difference in the quality life. With hard work, professionalism, and the highest values, we'll lead the software evolution to client-server business computing.

We're an unbeatable team.

THE NEW SYMBOL OF OUR SUCCESS

Our first challenge is communicating to the world all the exciting changes taking place at The ASK Companies. For this task, we needed a fresh symbol that would clearly portray our new unity and strength. One that cohesively links all parts of the organization, while preserving individual identities. And one that serves as a mark of excellence, like the Mercedes symbol on a luxury sedan.

After conducting research and working with a corporate identity specialist, we've chosen a winner. The new logo is a triangle comprised of lines that cover a semi-circle. The triangle represents a stylized "A" for The ASK Companies. The lines indicate movement and growth. And the semi-circle represents the globe, signifying a worldwide company.

It will take considerable time to complete our visual transformation on everything from products to business cards, a process that starts today. Gradually, the new logo will reflect the growing strength of the companies it represents.

An Unbeatable Team.

The ASK Companies

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Printed in the U.S.A.

ASK Outlines A Client/Server Plan

A pioneer in minicomputer software, ASK Computer Systems Inc. is recasting itself as a born-again client/server company. The new software is still six months off, but customers want it now.

BY BOB FRANCIS

ASK Computer Systems Inc. will no doubt go down in the history books as one of the success stories of the 1970s minicomputer boom. The company's integrated software products for manufacturers, primarily its MANMAN Information System, are industry standards, available as turnkey solutions from minicomputer juggernauts Digital Equipment Corp. and Hewlett-Packard Co.

Mountain View, Calif.-based ASK once dominated the market for information systems for manufacturers. But its market share has been eroded by an aggressive slate of newcomers sounding the clarion call of open systems and client/server computing. Now with its purchase of database vendor Ingres Corp. of Alameda, Calif., ASK is a company with combined revenues of $400 million. And with the return of the company's entrepreneurial founder, Sandra Kurtzig after a four-year hiatus, it's moving fast to transform itself. "We will lead the industry to client/server computing," Kurtzig boldly predicts.

Under the client/server approach, application processing is split between a front-end portion running on a high-end PC or workstation and a back-end portion operating on a server, which handles database and other numerically intensive processing. According to Peter West, vice president for business development at ASK, the company has been moving toward client/server-based software for some time. "But the return of Sandra Kurtzig [as chief executive officer] and the purchase of Ingres have certainly speeded up our efforts."

Back on the job for one year, Kurtzig is moving quickly to set this new course. For example, she increased the budget for research and development to 50%, well up from the previous 10% allocation. She's also repositioned ASK from being regarded as strictly a manufacturing software company to one that plays reasonably well in the financial services, government, health care and now database tools arenas, as well.

Yet not everything has gone smoothly. The company was forced to lay off 270 employees within weeks after the merger in order to refocus its product mix and get costs back in line with revenues. Speed may be of the essence, as manufacturing software start-ups such as San Jose-based Minx Software Inc., as well as established companies such as Oracle Corp. of Redwood Shores, Calif., target the manufacturing software market.

Birth Of A Family

In February of last year, ASK unveiled its new product strategy for the 1990s. Embracing open systems, distributed computing, and hardware and database independence, the company's client/server software will appear first as new applications for UNIX workstations. Versions for Digital's VMS and HP's MPE-XL operating systems will follow, giving ASK's current users a migration path to this software line. The first modules of the new family—dubbed ASK ADVANCE—will include general ledger, order entry, accounts receivable and inventory control. They should show up by midyear, although the company won't commit to a firm shipping date. ASK officials said originally that pieces of this new family of software would be available by the end of 1990.

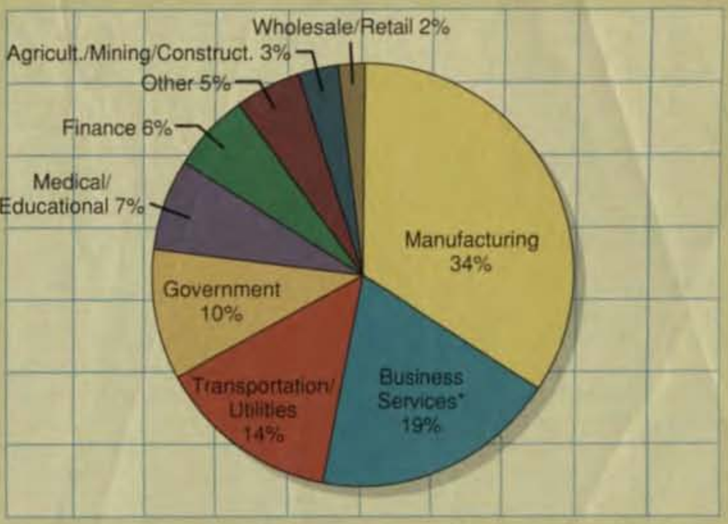
When they do finally ship, ASK's new products will face new competitors, such as those from Minx. Founded in 1985, Minx has a head start building client/server workstation software for UNIX. A glance at Minx's roster of executives is a virtual *Who's Who* of former ASK executives. According to Tom Lavey, president and chief executive officer of Minx,

ASK'S KURTZIG: "We will lead the industry to client/server computing."

ASK's Broadened Customer Base

Company acquisitions such as the recent merger with database supplier Ingres continue to expand ASK's customer base.

WORLDWIDE REVENUE BY INDUSTRY



*Includes EDP revenues and other sources

Source: ASK Computer Systems Inc.

many current Minx executives grew frustrated with the slow pace of new product development at ASK. "It was obvious that there were new technologies out there that we needed to take advantage of," he says.

But the slowness of change in the manufacturing sector may work to ASK's advantage. According to Anthony Friscia, president of Advanced Manufacturing Research Inc. in Cambridge, Mass., manufacturing companies will adopt UNIX and open systems slowly. "They're not going to give up functionality, and currently the proprietary systems still have the lead in functionality," he says.

ASK is betting that it will be able to deliver what customers want by relying on such technologies as the X Window System from the Massachusetts Institute of Technology. Besides delivering a standard graphical user interface, X Windows offers benefits above and beyond the ease-of-use arguments that are often made about GUIs, says ASK's West. For example, he envisions creating building blocks of modular software that will enable users and distributors to customize ASK's modules much more easily than can be done today. "The graphical user interface is necessary for the network vision to become a reality," maintains West. "It's the glue that allows you to integrate applications that come from different sources.

□ **FOR MANY USERS ASK'S MOVE INTO THE OPEN SYSTEMS MARKET COMES NONE TOO SOON.**

ASK's acquisition of Ingres, aided by equity investments from Hewlett-Packard and Dallas-based Electronic Data Systems Corp., go a long way toward shoring up the company's credibility in the client/server arena. To develop the ADVANCE family, ASK is relying heavily on INGRES/Windows 4GL, a graphical user interface development tool integrated with an objected-oriented fourth-generation language. "Ingres has the database with the highest IQ," says Kurtzig, noting that the ADVANCE family will work through gateways on a wide variety of relational database management systems (RDBMS) other than Ingres.

ASK hopes the acquisition will secure the future of the Ingres RDBMS. Although some current ASK customers are expected to migrate to the Ingres database, Ingres's 4GL tools operate with several Structured Query Language (SQL)-compliant database managers, such as Digital's Rdb and HP's Allbase/SQL.

There's another reason why ASK and Ingres may be a good fit. Ingres has long been involved in supplying relational databases for manufacturing applications, generating between 40 and 50% of its revenues through sales to manufacturers. According to William McSpadden, president of manufacturing market research company Plantwide Research Inc. of Billerica, Mass., manufacturers have moved away from using proprietary database products that have proved difficult to modify and upgrade to using SQL-based relational databases. Plantwide estimates that manufacturing business applications represented a $15.6 billion market in 1990, up 20% from 1989.

Price Of No Concern

For many users, ASK's move into the open systems market comes none too soon. "Distributed computing, open systems, it's simply the way we have to go as manufacturers," says Keith Nash, manufacturing resource planning project manager for Seattle-based Korry Electronics and a user of ASK software. A variety of factors are leading manufacturers to embrace distributed computing, Nash says. "International markets, just-in-time manufacturing, quality issues, the shortening product development cycle. All these better fit a distributed and open-computing environment."

ASK officials don't disagree. "For the manufacturing company of the '90s, it's going to be a distributed environment," says West. For example, he notes, product cycles are shortening considerably. "Product cycles now may be as short as four and a half months. You have to be flexible enough to change your computing environment. That virtually implies a client/server approach because it's much more flexible and it begins to mirror the more distributed organization model that our users are moving towards."

Still, concerns about functionality in an open systems environment have led ASK to be cautious about its new family of products. "Our challenge is to understand how to deliver the right amount of functionality with the right level of flexibility, so the systems can change rapidly. That's a new art," West says.

Just how these new systems will be priced relative to their minicomputer brethren remains to be seen. Yet cost doesn't seem to worry users. "I'm not worried about the cost of implementing a distributed-computing structure. I'm worried about the cost of not implementing it," says Korry's Nash.

So maybe it isn't certain that ASK will get an entry in the history books of the 1990s. But it won't be for lack of trying. ▭

THE ASK COMPANIES

1

1ST QUARTER REPORT

TO OUR STOCKHOLDERS, CUSTOMERS AND EMPLOYEES:

The ASK Companies' revenue was up strongly for the first quarter of fiscal 1992. This was due in large part to the excellent performance of our Ingres business unit which contributed about half of the quarter's revenue. However, items related to the Ingres acquisition (October 1990) continued to adversely impact our results.

Net revenue for the first quarter 1992 was $75 million, a 67 percent increase over net revenue of $45 million for the first quarter 1991. Net revenue before acquisition related items was $81 million. Before amortization of goodwill and other acquisition related items the Company achieved close to break-even; after these items the net loss was $4 million or $0.22 per share. This loss had been expected by the Company and was announced in an August press release. For the first quarter 1991 the Company reported net income of $1 million or $0.05 per share.

Except for the amortization of goodwill and other purchased intangibles which will continue to reduce reported quarterly results at a rate of about $3.5 million per quarter, or roughly $0.17 per share, the acquisition related items included in the first quarter 1992 results will not recur. This large non-cash expense means that looking at just earnings per share unduly discounts the Company's real operating performance and ability to generate cash. The Company has this large amortization expense because its acquisitions have been made with cash, not stock. On the positive side, this strategy has limited dilution of our stock and has allowed the Company to make acquisitions at very reasonable prices. As the Company grows the goodwill charges will have a relatively smaller impact.

Despite the goodwill expense, the Company's acquisition of Ingres has proved positive. The computer industry's move towards open systems and client-server architectures has fueled the demand for distributed database management systems, network products and graphical application development environments. INGRES products meet these needs. If acquisition related items

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in thousands except per share amounts; unaudited)

Quarter ended September 30,	*1991*	*1990*
Net revenue	$ 74,481	$ 44,482
Cost of revenue	23,971	21,090
Gross margin	50,510	23,392
Operating expenses:		
Product development	7,935	3,638
Selling, general and administrative	47,169	17,834
Amortization of goodwill and other purchased intangibles	3,525	1,160
Total expenses	58,629	22,632
Income (loss) from operations	(8,119)	760
Interest and other income, net	794	637
Interest expense	1,192	104
Income (loss) before income taxes	(8,517)	1,293
Provision for (benefit from) income taxes	(4,173)	582
Net income (loss)	$ (4,344)	$ 711
Income (loss) per share	$ (0.22)	$ 0.05
Weighted average common and common equivalent shares	19,486	13,503

CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)

	September 30, 1991	*June 30, 1991*
Assets	*(Unaudited)*	
Cash and cash equivalents	$ 18,300	$ 24,652
Accounts receivable, net	118,657	146,674
Other	10,770	13,351
Total current assets	147,727	184,677
Capitalized software development costs, net	8,510	7,109
Property, plant and equipment, net	39,842	38,723
Goodwill and purchased intangibles, net	148,178	151,742
Other long-term assets	4,332	2,170
	$348,589	$384,421
Liabilities and Stockholders' Equity		
Current portion of long-term debt	$ 12,142	$ 10,119
Accounts payable	23,427	40,537
Accrued liabilities	43,424	58,283
Deferred revenue	33,293	30,155
Total current liabilities	112,286	139,094
Long-term debt and other liabilities, net	38,004	43,730
Deferred income tax	25,538	29,645
Stockholders' equity:		
Common stock	197	193
Additional paid-in-capital	111,113	108,576
Retained earnings	65,016	69,360
Less treasury stock	(293)	(293)
Cumulative translation adjustment	(3,272)	(5,884)
Total stockholders' equity	172,761	171,952
	$348,589	$384,421

↓

are excluded, Ingres worldwide revenue increased by 28 percent. About 60 percent of revenue was from outside of North America where Ingres is well-positioned to gain share in a strong UNIX marketplace.

The Data 3 business is also growing strongly. First quarter 1992 net revenue increased 42% compared to the same period last year. Data 3 provides MRP II software for the IBM AS/400 hardware platform, a $19 billion market that is growing at a rate of 50,000 systems per year. During the last fiscal year about 60% of Data 3's unit sales came from Europe, where they utilize distributors for the product. In the U.S., Data 3 has had a dedicated sales force since July 1 to increase its ability to capitalize on this large market opportunity.

Growth in the Ingres and Data 3 businesses was offset by an 18% decline in the traditional ASK Computer Systems (ASK) MRP II business. All of this decline was in hardware sales; software and services revenue was flat compared to the first quarter last year. The decline in hardware revenue reflects the increasing price/performance of systems in the market today. Our strategy is to de-emphasize hardware sales and to focus on software and services, which have higher gross margin potential.

Our outlook remains positive. We believe that The ASK Companies' new framework as outlined in our annual report will provide us with the best opportunity for continued success. Thank you for your ongoing interest and support.

Sincerely,

Sandra Kurtzig

Sandra L. Kurtzig

The
ASK
Companies

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ASK Companies

December 20, 1991

Dear Colleague:

During the past year The ASK Companies has undergone a fundamental change. We have been transformed from a leader in the niche market for manufacturing software to one of the world's largest commercial software companies. Our recent reorganization has structured the company into three business units and given a new name to the umbrella corporate organization: The ASK Companies. Its three units are ASK Computer Systems, Ingres, and Data 3.

To communicate this change, we have adopted a new logo and graphic look. This new visual identity is a reflection of the relationship between The ASK Companies and its business units. Since each of the business units is a leader in its field, our new logo will allow them to retain the reputation of their individual names while uniting them as part of a larger, stronger company.

In use, ASK Computer Systems, Ingres, and Data 3 are all referred to as The ASK Companies (e.g. Data 3, An ASK Company, develops and markets the SIM/400 manufacturing information systems). The ASK Companies refers to the entire corporation.

Of course the full implementation of our new identity through all our marketing materials will take some time. As we make the transition, I will appreciate your cooperation and understanding in using the new names. If you have any questions or need more information, please contact Russell Castronovo (415/335-5534) or Glynnis Sears (510/748-2803) in public relations.

Enclosed is a packet that contains current information regarding The ASK Companies and its business units. It includes our latest annual and quarterly reports, a brochure that details our new logo, fact sheets for The ASK Companies, ASK Computer Systems, Data 3, and Ingres, and a management and press contact listing.

Best regards,

Sandra L Kurtzig

Sandra L. Kurtzig
Chairman and CEO

ASK Companies
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Telephone: 415.969.4442
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ASK Companies

CORPORATE FACT SHEET

Overview:	The ASK Companies is one of the 10 largest software companies in the world. Following the successful acquisition of Ingres Corporation in December 1990, the corporation has annual revenues approaching $400 million. The acquisition transformed the Company from a niche supplier of manufacturing applications to a broad-based provider of commercial software.
Mission:	The Company's mission it to lead the worldwide software evolution to client-server business computing. The ASK Companies principles of prudent business practices and major industry alliances combined with its leading relational database technology, development tools, and applications make the Company the best information systems partner for its customers.
Background:	Corporate revenue for the fiscal year which ended on June 30, 1991 was US $343.9 million. The ASK Companies is publicly traded (NASDAQ: ASKI) and employs over 2,100 people in 91 offices in 15 countries. The Company has three business units: ASK Computer Systems, Ingres and Data 3.
Companies:	Founded by Sandra Kurtzig in 1972, and incorporated in 1974, The ASK Companies serves two important markets. ASK Computer Systems and Data 3 offer manufacturing management applications. Ingres offers the INGRES database and software development tools. ASK Computer Systems is the leading independent supplier of manufacturing information systems for Hewlett-Packard and Digital Equipment Corp. computers. There are more than 2,600 MANMAN and MAXCIM systems installed worldwide.

(more)

Ingres is a world leader in database and application development products. Its products include the INGRES Intelligent Database, the INGRES/Windows4GL and INGRES/Vision development tools, and the INGRES/STAR and INGRES/Gateways connectivity products.

Acquired by the Company in 1989, Data 3 supplies the SIM/400 integrated manufacturing application for IBM AS/400 computers. In 1990, Data 3 won the IBM Outstanding Business Partner award.

Management:

Sandra Kurtzig, Chairman and CEO
Eric Carlson, Ph.D., President, ASK Computer Systems
Dennis McGinn, President, Ingres
David Sohm, President, Data 3
Leslie E. Wright, Chief Administrative and Financial Officer

Board of Directors:

Sandra Kurtzig; Chairman and CEO; The ASK Companies
Paul C. Ely. Jr.; General Partner; Alpha Partners
Robert N. Sharpe; Vice President, Business Development; EDS Corp.
Larry W. Sonsini; Partner; Wilson, Sonsini, Goodrich & Rosati, P.C.
Thomas L Unterberg; Managing Director; Unterberg Harris
Robert H. Waterman, Jr.; Chairman; Waterman & Miller, Inc.

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ASK

An ASK Company

FACT SHEET

Business:

ASK Computer Systems, an ASK Company, supplies comprehensive manufacturing information systems to companies around the world. The company offers cost effective, feature rich manufacturing resource planning (MRP II) software products and services. In addition, the company leads the market in development of enterprise resource planning (ERP) solutions.

Products:

MANMAN is an integrated group of 20 software modules that addresses the manufacturing, marketing, financial and management reporting needs of manufacturing companies. The modular system is designed to streamline manufacturing operations and help run businesses more efficiently. MANMAN runs on the Hewlett-Packard Co. HP 3000 and Digital Equipment Corp. VAX families of computers.

MANMAN/PROCESS is ASK's industry specific solution for mixed-mode and process manufacturing environments. (VAX)

MANMAN/AUTOMOTIVE is ASK's manufacturing information solution for suppliers to automobile manufacturers. (VAX and HP)

MAXCIM is a manufacturing information solution designed to give a user control of all aspects of a manufacturing operation. It provides all the information necessary for planning and management of a manufacturing environment. MAXCIM runs on the Digital Equipment Corp. VAX family of computers.

ADVANCE, currently under development, is ASK's ERP system. ERP integrates a company's financial, purchasing, distribution planning, customer service, logistics and MRP II management functions. This level of integration allows a global company to be managed and run as a single entity rather than a collection of facilities and functions. ERP

(more)

offers an evolutionary improvement in integration and functionality over existing MRP II by providing all elements of a company with the means to contribute to the goals and objectives of the corporation.

Partnerships: The company works closely with hardware vendors (Hewlett-Packard and Digital Equipment Corp.) to optimize the performance of ASK's products with the host computer system. In addition, ASK Computer Systems works with companies that offer products and services that enrich the functionality of its current offerings and contribute to its forthcoming enterprise-wide products.

Distribution: MANMAN and MAXCIM products are distributed worldwide by ASK Computer System's direct sales force and through distribution agreements with value-added resellers, integrators and others.

Background: Founded in 1972 by Sandra Kurtzig and incorporated in 1974, ASK Computer Systems is the leading independent supplier of MRP II systems in the world. Its flagship product, MANMAN, has been installed in over 3,300 facilities.

ASK Computer Systems is a business unit of The ASK Companies, one of the ten largest software companies in the world. Corporate revenue for the fiscal year which ended on June 30, 1991 was $343.9 million. It is a publicly traded company (NASDAQ: ASKI) and employs over 2,100 in 91 offices in 15 countries. The ASK Companies comprises ASK Computer Systems, Ingres and Data 3.

Management:
Eric Carlson, Ph.D., President
Peter West, Vice President of Marketing
Martin R. Browne, Vice President of Engineering
John Valencia, Director of Product Marketing, MRP II Products
Tom Mackey, Vice President of Norh American Sales
Mary Marley, Vice President of Customer Support
Kim Chang, Controller

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Data 3

An ASK Company

COMPANY FACT SHEET

Business: Data 3 offers native language Manufacturing, Financial, Process, Distributed Requirements Planning (DRP), and Bar Code software systems for the IBM® Application Systems/400 (AS/400)® and System/38. As an IBM business partner and a domestic authorized Industry Remarketer of IBM business products, and an international Value Added Reseller of INTERMEC Corporation's bar code data collection hardware, Data 3 provides complete systems solutions, offering both hardware and software to meet the dynamic needs of today's manufacturer. Data 3's services include full education, product consultation, modifications, and electronic customer support.

Background: Data 3 was privately held until September 1989 when it was acquired by The ASK Companies. The ASK Companies has three business units: Data 3, Ingres and ASK Computer Systems. Corporate revenue for the fiscal year which ended on June 30, 1991, was US #343.9 million. The ASK Companies is a publicly traded company (NASDAQ: ASKI) and employs more than 2,100 in 91 offices in 15 countries.

Products: Data 3's application software products, written in native RPG 400 and RPG III languages for the IBM AS/400 and System/38 platforms, are closed-loop MRP II systems that are modular in design. The software is designed to be especially effective in repetitive (Just-In-Time), discrete, mixed mode, and process manufacturing environments. Modules are provided to satisfy all needs of the manufacturing company and include applications for: manufacturing, financials, process, DRP, and bar code data collection. These products are available in French, German, Hebrew, Italian, Korean, Portuguese, and Spanish. All products are completely integrated.

IBM Business Partner
Authorized Industry Remarketer

(more)

3X/400 Market:	The IBM full-range and mid-range market - the AS/400 and System 38 consists of more than 120,000 machines worldwide. These machines comprise IBM's most successful multi-user product line.
Customers:	Data 3's SIM/400™ (for the AS/400) and MRPS 38 (for the System/38) products are targeted at mid-range companies - firms with annual sales of $10 million or more - and at medium-sized divisions of large corporations. Many Data 3 customers are Fortune 500 companies, with 35 of these companies having attained Class "A" status. Data 3 has more than 650 fully implemented installations of Data 3 products worldwide.
History:	Data 3 was founded in 1980 to provide the first alternative to IBM's MAPICS product for the S/3X platform. A major element of the company's dramatic growth has been the worldwide network of affiliates, software, and professional services firms it has developed to represent Data 3 products and provide strong, local support for Data 3's customers.
International Affiliates:	In addition to Data 3's direct domestic sales force, Data 3 has affiliates in Canada, France, Germany, Indonesia, Ireland, Israel, Italy, Luxembourg, Malaysia, Portugal, Singapore, South Africa, South Korea, Thailand, The Netherlands, and the United Kingdom. All international affiliates are independently owned and operated. In addition to selling, they provide consultation, implementation support, and other professional services representing Data 3. Direct international representation is available through Data 3 Europe, ASK Australia, ASK Canada, and ASK Singapore.
Domestic Offices:	Domestic sales and support offices are located in: California, Colorado, Connecticut, Florida, Georgia, Illinois, Maryland, Massachusetts, Minnesota, Michigan, Missouri, New Jersey, Oklahoma, Pennsylvania, Texas, and Vermont. Data 3 employs professionals at these regional offices to provide full education, product consulting, and pre - and post-sales support for its domestic client base.

(more)

Management:
David Sohm, President
Kelley Jones, Vice President, Research and Development
Jim Weil, Vice President, North American Sales
Mark Gullans, Division Controller
Carolyn Doll, Director, Customer Support
Richard Hardcastle, Director, Consulting and Education

Location:
1375 Corporate Center Parkway
Santa Rosa, CA 95407-5457
Phone: (707) 528-6560
Fax: (707) 542-3114

Media Contact:
Maureen Keenan-Mason
Marketing, Communications Specialist
Data 3
(707) 528-6560

Stephanie Campbell
Senior Associate
Copithorne & Bellows
(415) 541-0873

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Ingres
1080 Marina Village Parkway
P.O. Box 4026
Alameda, CA 94501-1095

Telephone: 510.769.1400

Ingres

An ASK Company

COMPANY FACT SHEET

Ingres serves a broad market composed of financial institutions, government, health care, manufacturing, telecommunications, transportation and others with leading-edge database software and application development tools. Founded in 1980 by database gurus Michael Stonebraker and Eugene Wong, Ingres has grown into a company with sales in excess of $180 million and currently employs over 1,000 people worldwide. Ingres is a wholly-owned subsidiary of The ASK Companies, a publicly traded company listed on the NASDAQ exchange under the symbol ASKI.

Market Positioning: The fastest growing database vendor and premier Unix provider, Ingres is the one vendor that is innovating the way database application are developed, deployed, integrated and supported, all to make customers more successful in building and using information management solutions.

Technology: Ingres is a technology leader in RDBMS (relational database management system) software and application development tools. INGRES 6.3 is the industry's first intelligent database. Introduced in 1989, the INGRES Intelligent Database has a multi-threaded, multi-server architecture designed to support client-server applications. INGRES 6.4 is the first RDBMS product family to be available simultaneously across the most popular hardware platforms. Ingres/Windows4GL is the industry's first and only graphical user-based application development tool with support for multiple Window managers including Motif and Microsoft Windows.

Ingres has won Target awards from *Digital Review* for the best database management software for the INGRES Intelligent Database, the best database tools award for INGRES Tools and the Editor's Choice award for INGRES/Star, Ingres' transparent distributed database manager. The INGRES database has also been judged the best database for the Sun environment, according to a user survey by *Sun Observer* magazine.

(more)

Products:

INGRES Intelligent Database - Relational database management system. The foundation of the INGRES product family, it allows businesses to model their operations in the database directly by managing not only conventional data, but knowledge (business policies and procedures) and objects (business-specific data types and operators) as well. The first of its kind, the INGRES Intelligent Database has powerful features to increase programmer productivity and data integrity simultaneously, improving overall performance. Additionally, the object management capability of the Intelligent Database provides a basis from which INGRES will enhance its object orientation capabilities.

INGRES Tools - Broad, integrated set of decision support and application development tools, including INGRES/Windows4GL, the industry's premier application development tool for graphical user interface-based systems and INGRES/VisionPro, the application generator for creating complex character-based systems.

Open Connectivity Products - Enable an end-user application to run without change across multiple networks, machine architectures, database managers (relational and non-relational), and distributed single-point data sources. Includes INGRES/Star the transparent distributed database manager; INGRES/Gateways to data on IBM's IMS and DB2 databases, Digital's RMS and Rdb databases and Hewlett-Packard's ALLBASE/SQL on HP-UX and MPE/XL; and INGRES/NET communications server.

Desktop Products - A series of products enabling DOS, OS/2, UNIX and Macintosh desktop computers to access INGRES running on host computers. Products include INGRES Tools for DOS; INGRES Server for OS/2; SmartLook, a Macintosh connectivity tool to VAX and other server platforms; and support for DAL (Data Access Language), support for PC protocols and GQL (Graphical Query Language) on the Macintosh providing connectivity to Unix, INGRES/Windows4GL and INGRES/VisionPro for complex application development and deployment.

(more)

Partnerships:	Ingres' partnerships are designed to forge strong links to leading system vendors, software vendors, and service providers. By doing so, Ingres can focus its resources on developing the best core application development software products, and, through the partnerships, offer total systems to the customers worldwide. Ingres partnership programs also benefit the partners. To reach their marketplace, they must have technology that matches their customers' corporate goals and requirements. Ingres provides strong product and a satisfied installed base. Ingres has extensive relationships with partners such as IBM, ICL, Group Bull, Hewlett-Packard, Sun Microsystems, NCR, Data General, Pyramid, Sequent, Digital, Prime, Amdahl and others.
Distribution:	Products are distributed through Ingres' worldwide direct sales force and through distribution agreements with VARSs, OEMs, system integrators and others.
Customers:	Customers include multinational corporations like AT&T Bell Labs, Chrysler Motors, Siemens, L'Oreal, London Stock Exchange, Heineken, Harvard University, Chevron USA, Manufactures Hanover Trust, Eastman Kodak, Qantas Airlines and Neutrogena.
Management:	Dennis McGinn, President Bill Copeland, Vice President of Marketing Marilyn Bohl, Vice President of Engineering Marcie Stewart, Vice President of N. American Sales Mike Laven, Vice President of European Operations Lindsay MacDermid, Vice President of Asia/Pacific Barbara Wehrle, Director of Product Marketing George Kellar, Director Channels Marketing

(more)

Headquarters:
1080 Marina Village Parkway
Alameda, California 94501
Tel: (510) 769-1400

Parent Company:
The ASK Companies
2440 W. El Camino Real
Mountain View, CA 94039-7640
Tel: (510) 969-1400

Media Contact:
Glynnis Sears
Public Relations Specialist
Ingres
(510) 748-2803

David Schneider
Associate
Copithorne & Bellows Public Relations
(510) 541-0873

###

ASK Companies
2440 W. El Camino Real
P.O. Box 7640
Mountain View, CA 94039-7640

Telephone: 415.969.4442
Telex: 297341
Facsimile: 415.962.1974

ASK Companies

THE ASK COMPANIES

MEDIA REFERENCE LIST

If you wish to contact a company spokesperson, please call a member of the Public Relations staff to make arrangements.

THE ASK COMPANIES

Sandra L. Kurtzig
Chairman & CEO

Leslie E. Wright
Executive Vice President,
Chief Financial and Administative Officer

Margaret Epperheimer
Vice President,
Corporate Communications and Human Resources

ASK COMPUTER SYSTEMS

2440 W. El Camino Real
P.O. Box 7640
Mountain View, CA 94039
Tel: (415) 969-4442
Fax: (415) 962-1974

Eric Carlson
President, ASK Computer Systems

Peter West
Vice President of Marketing

John Valencia
Director of Product Marketing, MRP II Products
(MANMAN, MAXCIM)

INGRES
1080 Marina Village Parkway
Alameda, CA 94501
Tel: (510) 769-1400
Fax: (510) 748-3686

Dennis McGinn
President, INGRES

Bill Copeland
Vice President of Marketing

Barbara Wehrle
Director of Product Marketing

Marilyn Bohl
Vice President of Product Marketing

George Kellar
Director, Channels Marketing

Charles (Chip) Gliedman
Group Manager,
Desktop Product Marketing

Mark Hanner
Group Manager,
Tools Product, Marketing
(Development Tools)

David Kellogg
Group Manager,
Server Product, Marketing
(Server/Open Connectivity Products)

Carl Tsukahara
Group Manager,
UNIX, Product Marketing
(Standards & Partnerships)

Data 3
1375 Corporate Center Parkway
Santa Rosa, CA 95407
(707) 528-6560
(707) 542-3114

David Sohm
President, Data 3

Kelley Jones
Vice President of Research & Development

Mark Gullans
Controller

PUBLIC RELATIONS CONTACTS:

Karen Marvin
Director, Corporate Communications
The ASK Companies
(Corporate PR contact)
(415) 335-5527

Maureen Keenan-Mason
Communications Specialist
Data 3
(707) 528-6560

Kamini Ramani
Senior Associate, Copithorne & Bellows
(The ASK Companies)
(415) 541-0873

Stephanie Campbell
Senior Associate, Copithorne & Bellows
(ASK Computer Systems & Data 3)
(415) 541-0873

David Schneider (Ingres)
Associate, Copithorne & Bellows
(415) 541-0873

Russell Castronovo
Senior PR Specialist
ASK Computer Systems
(415) 335-5534

Glynnis Sears
PR Specialist
INGRES
(510) 748-2803

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Preliminary Prospectus dated August 6, 1981

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

PROSPECTUS

ASK

ASK COMPUTER SYSTEMS, INC.

1,350,000 SHARES
COMMON STOCK

Of the shares offered hereby, the Underwriters are acquiring 750,000 shares from the Company and 600,000 shares from the Selling Shareholders. See "Principal and Selling Shareholders".

Prior to this offering there has been no public market for the Common Stock of the Company. It is currently estimated that the maximum initial public offering price will be in the range of $10 to $13 per share. See "Underwriting—Pricing of the Offering" with respect to the method of determining the initial public offering price.

Hi. We're finally doing it!
Thanks for your interest.
Sandy Kurtzig

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company (2)	Proceeds to Selling Shareholders (2)
Per Share	$	$	$	$
Total (3)				
Minimum	$	$	$	$
Maximum	$	$	$	$

(1) See "Underwriting
(2) Before deducting expenses payable by the Company estimated at $ ($ per share assuming the over-allotment option is not exercised) and expenses payable by the Selling Shareholders estimated at $ ($ per share).
(3) The Company has granted the Underwriters an eight-day option to purchase up to 135,000 additional shares to cover over-allotments, if any. See "Underwriting". In the foregoing table, the minimum amounts assume that the option will not be exercised and the maximum amounts assume that the option will be exercised in full.

The shares of Common Stock are offered by the Underwriters subject to receipt and acceptance of such shares by them. The Underwriters reserve the right to reject any order in whole or in part. It is expected that delivery of the certificates for the shares will be made against payment therefor on or about September , 1981.

L.F. ROTHSCHILD, UNTERBERG, TOWBIN

The date of this Prospectus is September , 1981

Until , 1981 (90 days after the date of this Prospectus), all dealers effecting transactions in the Common Stock, whether or not participating in this distribution, may be required to deliver a Prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

TABLE OF CONTENTS

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Prospectus in connection with the offer made hereby. If given or made, such information or representation must not be relied upon as having been authorized by the Company, any Selling Shareholder or any Underwriter. This Prospectus does not constitute an offer of any securities other than the Common Stock to which it relates or an offer to any person in any jurisdiction where such an offer would be unlawful. Neither delivery of this Prospectus nor any sale made hereunder shall under any circumstances create an implication that information contained herein is correct as of any time subsequent to the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

This summary is qualified in its entirety by the more detailed information and consolidated financial statements appearing elsewhere in this Prospectus.

The Company

ASK Computer Systems, Inc. designs, produces, and markets turnkey computer systems consisting of the Company's manufacturing and financial management proprietary software licensed in conjunction with purchased computer hardware. These systems are used in managing and increasing the productivity of manufacturing companies. The Company's comprehensive MANMAN® Information System encompasses four major software products and a complementary integrated business graphics product. In addition to being available as part of a turnkey system, these products may be licensed separately or used by the customer through the Company's on-line remote processing service. There are approximately 400 of the Company's manufacturing and financial management software products licensed for use at approximately 200 manufacturing companies. The Company's products are marketed to end users in the United States primarily through its own direct sales and support staff operating out of 13 branch offices and in Europe through foreign distributors.

The Offering

	Minimum	Maximum(1)
Shares to be sold by the Company	750,000	885,000
Shares to be sold by the Selling Shareholders	600,000	600,000
Shares to be outstanding after the offering	4,908,326	5,043,326
Use of Proceeds	For working capital and computer equipment	
Proposed NASDAQ symbol	ASKI	

Selected Consolidated Financial Information
(In thousands except per share data)

	Years Ended June 30,				
	1977	1978	1979	1980	1981
Income Statement Data:					
Net revenue	$301	$469	$2,775	$8,326	$13,000
Income (loss) before income taxes	38	(5)	444	1,988	2,707
Net income (loss)	28	(5)	237	995	1,491
Earnings (loss) per share	$.01	—	$.06	$.27	$.38
Weighted average number of shares outstanding	3,750	3,750	3,750	3,751	3,965

	June 30, 1980	June 30, 1981	
		Actual	As Adjusted(2)
Balance Sheet Data:			
Working capital	$1,086	$2,051	$
Total assets	3,566	6,771	
Total debt	None	None	
Retained earnings	1,288	2,779	
Shareholders' equity	1,310	2,916	

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(1) Assumes exercise in full of the Underwriters' over-allotment option.

(2) Adjusted to reflect use of proceeds by the Company, assuming no exercise of the Underwriters' over-allotment option. See "Use of Proceeds".

THE COMPANY

ASK markets turnkey systems consisting of the Company's manufacturing and financial management proprietary software integrated with purchased computer hardware. These systems are used in improving the productivity of manufacturing companies by helping management to optimize inventory, reduce operating expense and improve customer service. The Company's complete manufacturing information system consists of four major products which are marketed under the registered trademark MANMAN®. These software products are used primarily on Hewlett-Packard Company's HP 3000 Series minicomputers and are licensed in conjunction with this equipment as a turnkey system or licensed separately to existing HP minicomputer users. In December 1980, ASK commenced offering its MANMAN Information System as an on-line remote processing service. The Company also provides various support services for its software products such as software enhancements, documentation updates, installation services, customer education, and technical support. In June 1981, the Company introduced its integrated business graphics product consisting of software developed by the Company and a purchased plotter and display terminal with auxiliary software. This product, marketed under the GRAFMAN™ name, allows MANMAN Information System data and reports to be displayed in graphic form. The Company presently has under development a turnkey system utilizing the MANMAN Information System in conjunction with Digital Equipment Corporation's newest generation VAX 32-bit computers, which it expects to be marketing in 1982 in addition to its HP 3000 based turnkey system.

ASK markets its products through its domestic direct sales force and through foreign distributors to a wide variety of end users, primarily manufacturing companies which assemble or fabricate multi-piece products. While the Company's software products range in price (license fees) from $8,500 to $50,000, a complete turnkey system typically ranges in selling price from $110,000 to $300,000. There are approximately 400 MANMAN products licensed for use worldwide at approximately 200 manufacturing companies.

The Company was incorporated in California in 1974. At July 31, 1981, ASK had 98 employees. Sandra L. Kurtzig, the President and founder of the Company, will beneficially own approximately 63% of the Company's outstanding Common Stock after the offering made hereby. The Company's principal offices are located approximately 45 miles south of San Francisco at 730 Distel Drive, Los Altos, California 94022, and its telephone number at that location is (415) 969-4442. The Company's Standard Industrial Classification (SIC) Code is 7399. Unless the context otherwise indicates, all references in this Prospectus to "ASK" or the "Company" include ASK Computer Systems, Inc. and its subsidiaries.

USE OF PROCEEDS

The purpose of the offering is to increase the Company's equity capital base to support the anticipated growth of its business. Of the net proceeds to the Company, estimated to be $ (or $ if the Underwriters' over-allotment option is exercised in full), approximately $400,000 will be used during fiscal 1982 to finance the cost of additional computer equipment to expand the Company's on-line remote processing service and the balance will be used to provide additional working capital to finance anticipated higher levels of accounts receivable. A portion of such proceeds may be used for possible future acquisitions of companies or software products complementary to ASK's business; however, no such acquisitions are currently being negotiated or planned, and there is no assurance that any such acquisitions will be made. Initially, the net proceeds will be invested in short-term interest bearing securities.

The Company will not receive any proceeds from the sale of shares of Common Stock by the Selling Shareholders.

DIVIDEND POLICY

The Company has not paid cash dividends on its Common Stock since inception, and its Board of Directors presently intends to reinvest the Company's earnings in its business. Accordingly, it is anticipated that no cash dividends will be paid to holders of Common Stock in the foreseeable future.

CAPITALIZATION

The following table sets forth the capitalization of the Company at June 30, 1981, and as adjusted to give effect to the sale of 750,000 shares of Common Stock offered hereby for the account of the Company:

	Outstanding	As Adjusted
Total debt	None	None
Shareholders' equity:		
Common Stock, 20,000,000 shares authorized; 4,159,139 shares outstanding; 4,909,139 shares outstanding as adjusted(1)	$ 676,748	$
Retained earnings	2,778,806	
	$3,455,554	$
Less notes receivable from shareholders(2)	539,283	
	$2,916,271	$

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(1) Excludes 243,274 shares reserved for issuance pursuant to options granted under the Company's Stock Option Plan, 150,000 shares reserved for issuance pursuant to the Company's Employee Stock Purchase Plan and 23,400 shares reserved for issuance pursuant to the Company's Restricted Stock Purchase Plan. See "Management—Employee Stock Option Plan—Employee Stock Purchase Plan—Restricted Stock Purchase Plan" and Note 3 of Notes to Consolidated Financial Statements.

(2) See Note 3 of Notes to Consolidated Financial Statements.

See "Business—Facilities" and Note 4 of Notes to Consolidated Financial Statements for information concerning the obligations under leases.

DILUTION

The net book value of the Company as of June 30, 1981 was $2,916,271, or $.70 per share. Without taking into account any changes in such net book value after that date, other than those resulting from the sale of the 750,000 shares of Common Stock offered by the Company hereby, the pro forma net book value of the Company at that date would have been $, or $ per share, representing an immediate increase in net book value of $ per share to present shareholders and an immediate dilution of $ per share to new investors. "Dilution" means the difference between the public offering price and the pro forma net book value per share after giving effect to the offering. The following table illustrates the resulting dilution with respect to the shares of Common Stock offered hereby:

Public offering price per share		$
Net book value per share before offering(1)	$ .70	
Increase per share attributable to new investors	$	
Pro forma net book value per share after offering(1)		$
Dilution of book value per share to new investors		$

---

(1) Determined by dividing the number of shares of Common Stock outstanding into the net worth of the Company. Net worth consists of assets less liabilities.

The following table summarizes, as of June 30, 1981, the difference between the existing shareholders and the new investors with respect to the number of shares purchased from the Company, the total consideration paid and the average price per share paid, assuming no exercise of the Underwriters' over-allotment option:

	Shares Purchased	Percentage of Total Shares	Total Consideration Paid to Company	Percentage of Total Consideration Paid	Average Price Per Share
Existing shareholders:					
Shares being retained	3,559,139(1)	72.5%	$ 579,120(2)	%	$ .16
Shares being sold	600,000(1)	12.2(3)	97,628(2)		.16
New investors	750,000(4)	15.3(3)		%	
Total	4,909,139	100.0%		100.0%	

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(1) Of the 4,159,139 shares previously purchased by existing shareholders, 3,750,000 shares have been outstanding for more than five years.

(2) Based on the average price paid to the Company for the 4,159,139 shares previously purchased by existing shareholders.

(3) Upon completion of the offering, 27.5% of the Company's outstanding shares of Common Stock will be held by investors purchasing stock in the offering.

(4) Excludes 600,000 shares to be purchased from the Selling Shareholders in the offering made hereby.

SELECTED FINANCIAL INFORMATION

(In thousands except per share data)

The following table summarizes certain selected consolidated financial data and is qualified by the Consolidated Financial Statements included herein:

	Years Ended June 30,				
	1977	1978	1979	1980	1981
	(unaudited)				
Operating Data:					
Net revenue	$301	$469	$2,775	$8,326	$13,000
Cost and expenses:					
Cost of revenue	66	105	1,560	4,619	6,617
Product development	124	164	335	438	1,125
Selling, general and administrative	74	209	466	1,446	2,722
Total cost and expenses	264	478	2,361	6,503	10,464
Operating income (loss)	37	(9)	414	1,823	2,536
Interest income, net	1	4	30	165	171
Income (loss) before income taxes	38	(5)	444	1,988	2,707
Provision for income taxes	10	—	207	993	1,216
Net income (loss)	$ 28	$ (5)	$ 237	$ 995	$ 1,491
Earnings (loss) per share	$.01	—	$.06	$.27	$.38
Weighted average number of shares outstanding	3,750	3,750	3,750	3,751	3,965
Balance Sheet Data:					
Working capital	$ 43	$ 61	$ 281	$1,086	$ 2,051
Total assets	140	320	1,376	3,566	6,771
Long-term debt	—	—	—	—	—
Shareholders' equity	83	78	315	1,310	2,916

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth for the fiscal years indicated (i) the percent which the items in the Consolidated Statement of Income bear to net revenue and (ii) the percent increase of such items as compared to the prior fiscal year.

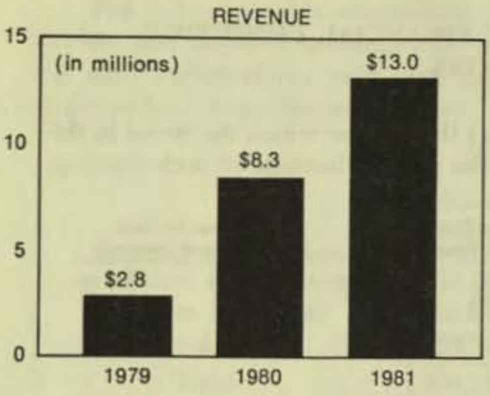
	Percent of Net Revenue Years Ended June 30,			Year to Year Percent Increase	
	1979	1980	1981	1980 vs. 1979	1981 vs. 1980
Net revenue	100.0%	100.0%	100.0%	200.0%	56.1%
Cost and expenses:					
Cost of revenue	56.2	55.5	50.9	196.2	43.2
Product development	12.1	5.2	8.7	30.7	157.2
Selling, general and administrative	16.8	17.4	20.9	210.2	88.2
Total cost and expenses	85.1	78.1	80.5	175.5	60.9
Operating income	14.9	21.9	19.5	340.2	39.1
Interest income, net	1.1	2.0	1.3	450.4	4.0
Income before income taxes	16.0	23.9	20.8	347.6	36.2
Provision for income taxes	7.5	11.9	9.3	379.7	22.5
Net income	8.5%	12.0%	11.5%	319.5	49.9

Results of Operations

ASK has experienced significant increases in net revenue and net income during each of its last three fiscal years, primarily due to increased market acceptance of the Company's products. Increases in net income have not been attributable in any significant respect to inflation, but have resulted primarily from a higher volume of sales.

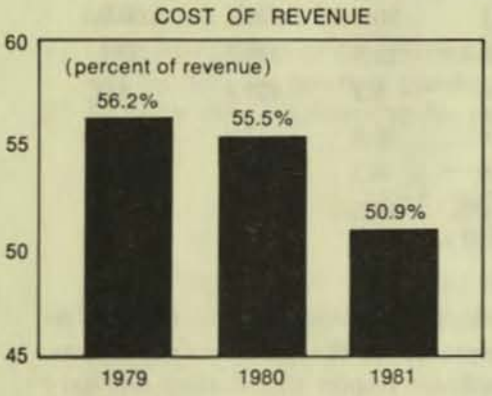
ASK accounts for the sale of computer hardware at the time of its shipment by the manufacturer. Software revenue is accounted for upon software installation if performed by ASK, or upon shipment if not installed by the Company. The level of the Company's revenue, as well as the backlog at any particular time, is dependent to some extent on the hardware manufacturer's delivery schedule, which led to quarterly fluctuations in fiscal 1981 and may lead to fluctuations in the future.

The Company anticipates substantial increases in net revenue in the first quarter of fiscal 1982 as compared with the first quarter of fiscal 1981, but only a slight increase in net income and earnings per share. This reflects recent additions to its field sales and technical staff in anticipation of future growth and unusually low expenses in the first quarter of fiscal 1981 due to delays in hiring personnel. In addition, the first quarter of 1981 was favorably impacted by non-recurring license fees from Sperry Corporation which had no associated costs. See "Business—Trademarks, Copyrights and Licenses".



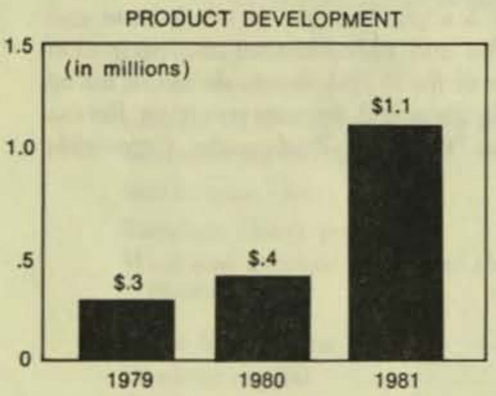
Revenue

Revenue in fiscal 1980 and 1981 increased 200% and 56%, respectively, primarily as a result of the increased number of system sales, reflecting continuing geographical expansion and the addition of sales personnel to existing and new branch offices. Another factor in fiscal 1981 was an increase in license fees paid to the Company by its European distributors and by Sperry Corporation. The on-line remote processing service, introduced by the Company in December 1980, did not make a significant contribution to revenue in fiscal 1981, but revenue from this service is expected to increase substantially during fiscal 1982.



Cost of Revenue

The Company's increased purchase volume of hardware from the original equipment manufacturer (primarily Hewlett-Packard) in fiscal 1981 allowed it to take advantage of larger volume discounts on computer hardware. In addition, the Company's introduction of new software products in fiscal 1980 and 1981 and the payment of license fees to the Company by its foreign distributors and by Sperry Corporation resulted in a higher ratio of software license fees to revenue from the sale of computer hardware than in prior years. Because of this product mix and higher hardware discounts, cost of revenue, although increasing in magnitude in fiscal 1980 by 196% over fiscal 1979, decreased as a percentage of revenue in fiscal 1980. While the actual cost of revenue in fiscal 1981 increased 43%, the cost of revenue decreased as a percentage of revenue.



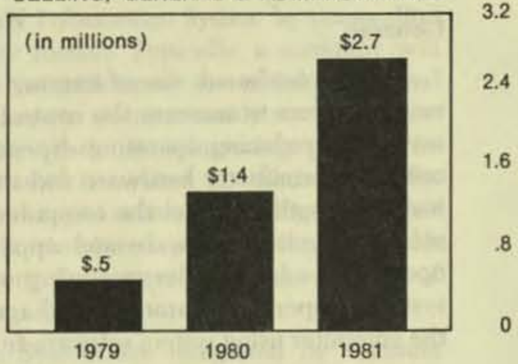
Product Development

Product development expenditures are expensed by the Company as incurred. Expenditures on product development in fiscal 1981 were $1,125,411, up 157% over the fiscal 1980 level, and resulted in new product introductions (including GRAFMAN) and enhancements to existing products, as well as research on future products. Product development expenditures as a percentage of revenue were 8.7% in fiscal 1981.

Product development expenditures were $437,576 in fiscal 1980, representing an increase of 31% over the prior fiscal year but a decrease as a percentage of revenue from 12.1% in fiscal 1979 to 5.2% in fiscal 1980. Such decrease was due to the Company's 200% growth in revenue during fiscal 1980 without a proportionate increase in the product development staff.

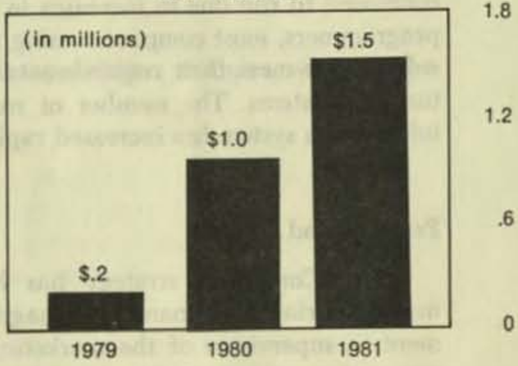
Selling, General and Administrative

Over the last two fiscal years, the Company has engaged in significant geographical expansion and addition of marketing and field technical support personnel, which was reflected in an increase to $2,722,445 in marketing, sales, general and administrative expenses during fiscal 1981, up 88% over the prior year. In fiscal 1980, such expenditures increased to $1,446,301, up 210% over fiscal 1979. Marketing, sales, general and administrative expenses rose as a percentage of net revenue in fiscal 1981 to 21% from 17% in fiscal 1980.



Income and Earnings Per Share

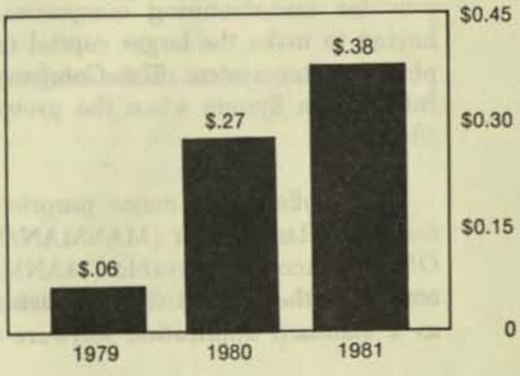
Pretax income increased 36% to $2,706,677 in fiscal 1981. The pretax margin (pretax income as a percentage of revenue) was 21% in fiscal 1981 compared with 24% in fiscal 1980. The Company added personnel later than was planned in both fiscal years, which favorably impacted pretax margins. Provision for taxes on income increased 23% to $1,216,000 in fiscal 1981, but the effective tax rate decreased from 50% to 45%, primarily as a result of increased investment tax credits and increased foreign income from the Company's DISC. As a result, net income increased 50% in 1981 which was greater than the percentage increase in pretax income. The percentage increase was not fully reflected in the percentage increase in 1981 earnings per share, which increased 41% from the prior year, because of the greater weighted average number of shares outstanding.



Liquidity and Capital Resources

Liquidity to finance the Company's growth has been almost exclusively generated by cash flow from operations. The Company has retained all of its earnings for reinvestment in its business. It is expected that the Company's cash needs in the foreseeable future will be supplied by profits and by the proceeds to the Company from this offering.

The Company's capital resource commitments at June 30, 1981 consisted principally of its long-term lease on its headquarters facility at Los Altos, California.



BUSINESS

General

Computer-based manufacturing and financial management information systems are used by manufacturers to increase the control and efficiency of their manufacturing operations by optimizing inventory, reducing operating expense, and improving customer service. A typical computer system consists of computer hardware and software. Computer software, in simplistic terms, consists of coded instructions that control the computer's internal operations. There are two general classes of computer software: system software and application software. System software controls the basic hardware operations and includes operating systems, computer language compilers, data base management systems, report generators, and diagnostic functions. Application software processes data stored in the computer using system software functions and produces reports for use in many diverse applications.

Computer-based manufacturing and financial systems have become more cost effective in recent years as a result of the declining costs of computer hardware, making equipment costs associated with an in-house computer system economically feasible for an increasing number of manufacturing companies. However, because the cost of developing custom application software has continued to rise due to increases in labor-intensive programming costs and shortages of experienced programmers, most companies using in-house computer systems cannot cost justify custom developed software to meet their requirements. These businesses form the primary markets for the Company's turnkey systems. The number of manufacturers using some form of computer-based management information system has increased rapidly in recent years.

Products and Services

The Company's strategy has been to create a comprehensive, integrated line of standard manufacturing and financial management application software products designed to assist management in supervision of the marketing, engineering, materials and production control, and financial areas of a manufacturing company. ASK markets its MANMAN Information System application software as part of a complete turnkey computer system with HP 3000 computer hardware and system software. In 1982, the Company also plans to offer its MANMAN Information System with Digital Equipment Corporation's VAX computer hardware and system software. As a result, ASK's products will be available on two of the leading brands of computer hardware. The Company commenced offering its MANMAN Information System as an on-line remote processing service in December 1980. This service is operated on HP 3000 Series minicomputers located at the Company's computer center at its main offices in Los Altos, California and may be accessed locally either through dedicated lines or through independent telecommunications networks. This service provides manufacturing companies the opportunity to utilize the Company's software without having to make the larger capital expenditure commitments associated with the purchase of a complete turnkey system. The Company's strategy is to convert these users to the turnkey MANMAN Information System when the growth of their manufacturing operations makes such a system cost effective.

ASK offers four major proprietary manufacturing and financial management products: Manufacturing Management (MANMAN/MM), Order Management and Accounts Receivable (MANMAN/OMAR), Accounts Payable (MANMAN/AP) and General Ledger (MANMAN/GL). These products constitute the MANMAN Information System, which was designed and developed by the Company as a standard application software system integrated by common data bases.

The MANMAN Information System is an on-line interactive management information system which can be completely operational within a few days of installation. The system is designed for use by non-technical personnel and is thus referred to as "user-friendly". Users enter and retrieve information from interactive terminals connected to the MANMAN Information System by responding to simple computer-generated inquiries in a question and answer format. Typically, a company will have between 10 and 60 video display terminals conveniently located in all the major functional areas of a manufacturing plant. These terminals allow numerous users to simultaneously access, update and report necessary information with which to better manage their manufacturing plant. The Company believes that the on-line and user-friendly characteristics of its system are distinct benefits because they allow quick access to information, responsiveness to changes in manufacturing operations and efficient use of personnel. In addition, the system utilizes a structured program design which provides customers with the flexibility to maintain and support their own modified versions of MANMAN products.

The four products comprising the MANMAN Information System are integrated by common data bases, eliminating the requirement to enter and store the same information several times, reducing the amount of disk storage needed as well as providing for efficient verification, updating and editing of information by the users at their work stations. While the MANMAN products can be used independently, an increasing percentage of customers are acquiring all four products as an integrated system.

MANMAN/MM

The Manufacturing Management product consists of eight application modules which assist management in performing the following functions:

- Inventory control
- Bill of materials/engineering design
- Work-in-process/shop floor control
- Purchasing
- Material requirements planning
- Capacity requirements planning
- Cost accounting
- Master production scheduling

MANMAN/OMAR

The Order Management and Accounts Receivable product consists of five application modules which assist management in performing the following functions:

- Sales order entry
- Invoicing
- Accounts receivable
- Cash receipts
- Sales analysis

MANMAN/AP

The Accounts Payable product consists of three application modules which assist management in performing the following functions:

- Voucher processing
- Accounts payable
- Cash disbursements

MANMAN/GL

The General Ledger product consists of three application modules which assist management in performing the following functions:

- General ledger
- Budgeting
- Financial statement preparation

lgst purch of HP3000

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$60k now – will ↑

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avg
$235k

In June 1981, the Company commenced offering its GRAFMAN integrated business graphics product which provides a wide range of pre-formatted graphs for displaying information maintained by the MANMAN Information System. With a simple selection from a graph menu, users can produce a number of complete, pre-formatted color graphs for analyzing important trends in each functional area of the user's manufacturing plant. For example, graphs showing projected inventory values, accounts receivable aging, scheduled shipments, actual versus budget expense trends, and projected work center capacity loads can be quickly graphed on the user's CRT or on an eight-color graphic plotter. The Company also offers a general purpose report writer and a general purpose payroll package, which it licenses from independent third party vendors.

ASK currently offers its products for use on HP 3000 Series minicomputers manufactured by Hewlett-Packard. ASK is currently Hewlett-Packard's largest purchaser of HP 3000 Series computer systems for resale. Such systems are purchased by the Company from Hewlett-Packard at a specified discount from list price under a long-term volume discount agreement. Under the new agreement entered into in July 1981, a part of the discount will be refunded to Hewlett-Packard if specified volume purchases are not made during the term of such agreement. Prior to this new contract, the Company negotiated the volume and discount terms annually. Hewlett-Packard is responsible for the installation and maintenance of its computer products while the Company is responsible for the installation and maintenance of its software products. In order to increase its market share, the Company entered into a similar long-term agreement with Digital Equipment Corporation in July 1981 to purchase computers at a specified volume purchase discount.

Marketing and Customers

The Company markets its products in the United States primarily through its own marketing organization and, to a minor extent, through independent distributors. As of July 31, 1981, the Company employed approximately 48 marketing, sales and technical support personnel, located in 13 direct sales offices throughout the United States, as compared with 13 such personnel at four sales offices as of June 30, 1980.

Sales of the Company's products in foreign countries are made solely by independent distributors. ASK licenses its software to its foreign distributors who in turn incorporate the software with purchased hardware into a complete system for sale. In England, ASK products have been marketed for three years by Scicon, a division of British Petroleum Co. Ltd., on an exclusive basis, and in France, Belgium and Switzerland by CISI, a large computer service company owned by the French government, on a non-exclusive basis. Foreign revenue (primarily in Europe) in fiscal 1980 and fiscal 1981 was $56,750 and $718,650, respectively. See Note 1 of Notes to Consolidated Financial Statements.

ASK provides its software products under a perpetual paid-up license agreement to be used on a specific serial numbered computer. Under license agreements with its customers, ASK software products cannot be sold or copied by its customers except for archival purposes or to replace worn copy.

In many system sales the customer finances the purchase through a third-party lessor. While the customer may finance its purchase from a third-party lessor, ASK always receives cash payment for its sales.

As of July 31, 1981 there were more than 400 installations of ASK products worldwide at approximately 200 manufacturing companies. ASK has installations throughout the United States and in Canada, Puerto Rico, Mexico, England, France and Sweden. ASK has a wide variety of customers, including manufacturing divisions of large companies in various industries as well as smaller emerging companies. No customer accounted for more than 6% of ASK's revenues during the 1981 fiscal year.

ASK's backlog of released orders increased to approximately $4,063,000 at June 30, 1981, as compared with approximately $1,100,000 at June 30, 1980, due primarily to an increase in the volume of incoming orders. Increases in backlog may also result from delays in shipment by the computer manufacturer, hence backlog data at any particular time may not be indicative of future revenue. In general, an order is entered into backlog only if a firm purchase order with a requested delivery date within six months and a down payment of 20% of the price has been received from the customer.

See "Trademarks, Copyrights and Licenses" for a description of ASK's marketing arrangements for a version of MANMAN/MM with Sperry Corporation.

Software Enhancements, Customer Support and Training

ASK offers its customers a variety of software installation, technical support, software subscription, user training and documentation services, which are performed either at ASK's offices or at the customer's site for a separate charge. In addition to sales personnel, most of ASK's sales offices are staffed with customer support personnel who assist users with installation and on-going support. System installation typically takes two to four days.

ASK passes through to its customers the computer hardware warranty offered by Hewlett-Packard and other equipment manufacturers. All minicomputer hardware installation, maintenance, repair and operating system software updates are provided under service contracts directly between the original equipment manufacturer and ASK customers.

ASK offers a software subscription service to its customers. This service is typically billed to the customer annually and includes reasonable telephone consulting regarding ASK software system features and procedures, software enhancements to maintain the customer's MANMAN product software to the latest standard release level being licensed by ASK (usually two updates per year), and documentation updates (to go with the updated software). Substantially all of ASK's customers purchase the software subscription service. In January 1981, the Company introduced a comprehensive customer education service covering a wide range of training courses in the use of the Company's products. This program consists of eight courses covering the features and functions of each of the Company's application products.

Competition

The computer software industry is highly competitive. The Company believes that the principal factors affecting competition are product performance and reliability; ease and speed of system installation; national direct marketing capability; customer support, training and documentation; comprehensiveness of product applications; on-going software enhancements; and the convenience, flexibility and ease of use of the application software to meet the customer's needs without significant customization. To date, price has been a less important competitive factor.

The Company competes with a number of large computer manufacturers, such as IBM, Hewlett-Packard and Sperry Corporation, which have financial, marketing, management and technical resources substantially greater than those of the Company. The Company may also be at a competitive disadvantage to the extent that it purchases computer systems and related peripheral equipment from these same computer manufacturers who provide competitive software products. In addition, Sperry Corporation has a license granted by the Company to market a version of the Company's MANMAN/MM product. See "Trademarks, Copyrights and Licenses". In providing its on-line remote processing service, the Company competes with a few firms which offer similar services, including Xerox Corporation. The Company intends to use a portion of the proceeds of this offering to enhance and expand its on-line remote processing service operations. See "Use of Proceeds". The Company faces competition from a variety of other independent firms, such as systems integrators and specialized software companies, which range in size from large to small firms and in geographic coverage among national, regional and local operations.

Product Development

The Company believes that its future success depends in part upon its ability to develop new and improved products and services and to expand its customer base by modifying its software to operate on a wider variety of computer systems. Accordingly, ASK is committed to the development and acquisition of new products and to the continued enhancement of its existing products and related user documentation. During the fiscal years 1979, 1980 and 1981, ASK expended $334,678, $437,576 and $1,125,411, respectively, for product development activities. All product development costs are expensed as incurred. As of July 31, 1981 ASK employed approximately 37 persons in product development activities, principally in software product design, programming, technical documentation and communications, and product management. ASK customers have set up user groups to share ideas on the use of the Company's products and to make suggestions to ASK for improvements to existing products and development of new products.

Trademarks, Copyrights and Licenses

ASK owns various trademarks, service marks and copyrights. It does not own any patents. ASK markets its products under the trademark "MANMAN" which is registered in the United States. The Company seeks to protect its proprietary software products by incorporating restrictions into its license agreements with respect to the use and confidentiality of its software.

In order to expand the market for its software products, in June 1979 ASK entered into a license agreement with the Sperry Univac Division of Sperry Corporation ("Sperry") pursuant to which the Company granted Sperry a then exclusive right to market the MANMAN Manufacturing Management product (MANMAN/MM) on Sperry minicomputers under the MANMAN trademark. In June 1981, the license became non-exclusive. Sperry's right to use the Company's MANMAN trademark terminates in June 1982, although their license to market the product continues. Under the agreement, Sperry pays royalties for each software package licensed by Sperry, whether or not the package is marketed under the Company's trademark. During the fiscal year ended June 30, 1981, Sperry paid royalties of $357,500 under this license, and $315,000 for an unrelated product for which no future royalties are expected.

ASK also markets two software products under license agreements with third party vendors, the revenues of which are not significant.

Employees

At July 31, 1981, ASK had 98 full-time employees, including 13 persons in finance and administration, 37 in product development, and 48 in marketing, sales and field technical support. ASK believes that its continued success will depend in part on its ability to continue to attract and retain highly skilled technical, marketing and management personnel who are in great demand.

The Company has never had a work stoppage and no employees are represented under collective bargaining arrangements. ASK considers its employee relations to be excellent.

Properties

The Company leases approximately 16,000 square feet of office space for an annual rental of approximately $232,000 in one location at Los Altos, California under a master lease expiring in 1990 which provides for an additional 12,000 square feet which will become available to ASK within two years. The Company's executive, marketing, engineering and product development activities, as well as the computer center for its on-line remote processing service are located at these offices. In addition, the Company leases approximately 9,400 square feet of office space in the United States for sales and customer support offices under leases expiring from 1982 to 1985. The Company believes that its facilities are adequate for its immediate needs and that suitable additional space is available to accommodate further expansion of the Company's operations. See Note 4 of Notes to Consolidated Financial Statements.

The Company owns all of its data processing equipment, including seven HP 3000 computer systems, five of which are used for program development, customer demonstrations, and internal sales and accounting functions and two of which are used for the Company's on-line remote processing service operations. The Company intends to purchase additional computer equipment to accommodate the anticipated growth of its business, principally for its on-line remote processing service operations and program development, some of which will be financed with the proceeds from this offering. See "Use of Proceeds". All of the Company's computer equipment is in good repair, is well maintained and continues to operate satisfactorily.

MANAGEMENT

Executive Officers and Directors

The executive officers and directors of the Company and their ages are as follows:

Name	Age	Position
Sandra L. Kurtzig	34	President and Director
Thomas C. Lavey	37	Vice President—Marketing and Sales
Kenneth A. Fox	36	Vice President—Research and Development
Martin R. Browne	31	Vice President—Software Development
Robert J. Riopel	39	Vice President—Finance and Administration
Craig W. Johnson*	34	Secretary and Director
Ronald W. Braniff*	45	Director
M. Kenneth Oshman*	41	Director
Thomas I. Unterberg*	50	Director

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* Member of Audit Committee.

All directors hold office until the next annual meeting of shareholders of the Company and until their successors have been elected and qualified. Officers serve at the discretion of the Board of Directors.

Mrs. Kurtzig is the founder of the Company and has been President and a director since its incorporation in 1974. She also served as Chief Financial Officer from 1974 to February 1981. Prior to founding the Company, she held various technical and marketing positions with General Electric Company, Information Business Systems Division, and with TRW Inc. Mrs. Kurtzig received a B.A. degree in mathematics and chemistry from the University of California at Los Angeles and an M.S. degree in aeronautical engineering from Stanford University.

Mr. Lavey joined the Company in May 1978 as Vice President, Marketing and Sales. From September 1976 through April 1978, he was product manager of manufacturing systems for ITEL Corporation, and from 1974 to September 1976 he served as Vice President of Manufacturing for Fulton Manufacturing Company, a division of Walter Kidde & Company, Inc. Mr. Lavey received a B.S. degree in mathematics and computer science from Pennsylvania State University and an M.B.A. from the University of Southern California.

Mr. Fox joined the Company in December 1980 as Vice President, Research and Development, following eleven years with Hewlett-Packard Company, most recently as Engineering Manager of the Data Systems Division. His prior experience at Hewlett-Packard included Section Manager for hardware and software development of the HP 1000 L Series computer and Production Engineering Manager for the Automatic Measurements Division. Mr. Fox holds a B.S. degree in engineering and applied physics from Harvard University and an M.S. degree in electrical engineering and computer science from the University of California at Berkeley.

Mr. Browne joined the Company in October 1974 in software development and in February 1977 became Vice President, Software Development. From 1972 to October 1974 he held various staff manufacturing support positions with Farinon Microwave, a microwave equipment manufacturer subsequently acquired by Harris Corporation. Mr. Browne received a B.S. degree in mathematics from Stanford University.

Mr. Riopel joined the Company in February 1981 as Vice President, Finance and Administration. From June 1979 to February 1981 he served as Vice President, Finance, for Advanced Electronics Design, Inc., and from October 1974 to June 1979 served as Vice-President, Director of Administration, for Reticon Corporation, a subsidiary of EG&G Inc. Prior to that time he served as audit manager for Arthur Young & Company, certified public accountants. Mr. Riopel holds BSC/Accounting and M.B.A. degrees from the University of Santa Clara.

Mr. Johnson has served as Secretary and a director of the Company since June and July 1980, respectively. Mr. Johnson has been a practicing attorney since 1974 and is a member of the firm of Wilson, Sonsini, Goodrich & Rosati, legal counsel to the Company.

Mr. Braniff has served as a director of the Company since July 1980. Since July 1976, Mr. Braniff has been Group Vice President of Tymshare, Inc., an international computer information services and data communications services firm.

Dr. Oshman has served as a director of the Company since July 1980. Dr. Oshman, a co-founder of ROLM Corporation, a manufacturer of computer-controlled branch exchange telephone systems and general purpose computers intended for use in severe environments, has served as President and a director of ROLM since its organization in 1969.

Mr. Unterberg has served as a director of the Company since July 1980. He is Managing Senior Partner of the investment banking firm of L. F. Rothschild, Unterberg, Towbin, the Representative of the Underwriters, and has been with that firm or its predecessor since 1956. Mr. Unterberg is also a director of LIN Broadcasting Corporation, Scitex Corporation Ltd., and Thermo Electron Corporation. See "Underwriting".

Remuneration

The following table sets forth certain information as to each of the most highly compensated executive officers of the Company whose aggregate direct remuneration exceeded $50,000, and as to all officers and directors as a group, during the fiscal year ended June 30, 1981.

		Cash and Cash Equivalent Remuneration	
Individuals or Persons in Group	Capacities in Which Served	Salaries and Bonuses(1)	Securities and Personal Benefits(2)
Sandra L. Kurtzig	President	$ 99,815	$11,111
Thomas C. Lavey	Vice President—Marketing and Sales	123,484	16,409
Martin R. Browne	Vice President—Software Development	53,035	3,350
All officers and directors as a group (9 persons)(3)(4)		330,066	55,319

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(1) Includes commissions, cash bonuses and profit sharing in the aggregate amount of $11,108 accrued in fiscal 1980 but paid in fiscal 1981 and $19,805 accrued in fiscal 1981 and payable in fiscal 1982.

(2) Includes (i) the value of Company-owned or leased automobiles provided for business use and (ii) the difference between the rate of interest on promissory notes of certain officers and directors to the Company (8%) and the average prime rate of interest during the period outstanding.

(3) Excludes $41,827 in legal fees paid to Wilson, Sonsini, Goodrich & Rosati, of which Craig W. Johnson, Secretary and a director of the Company, is a member.

(4) No directors' fees were paid in fiscal 1981. However, effective July 21, 1981, directors who are not employees or officers of the Company will receive $500 for each Board meeting attended in addition to an annual retainer of $2,000 per year. These directors may elect to convert their directors' fees quarterly into shares of Common Stock at the then fair market value.

Employee Stock Option Plan

In December 1974, ASK adopted an Employee Stock Option Plan (the "Option Plan"), pursuant to which 375,000 shares of Common Stock were reserved for issuance upon the exercise of options granted to key employees, including officers, of the Company. The Option Plan is administered by the Board of Directors, which designates the optionees, exercise prices and dates of grant. The exercise price may not be less than 100% of the fair market value of the Common Stock on the date of grant. Options are nonassignable and may be exercised only by the employee while he or she is employed by ASK or one of its subsidiaries or within 30 days after termination of employment (except termination for misconduct) or by his or her estate within 12 months after his or her death (to the extent such option was exercisable on such date of death). Under the Option Plan the Company has certain rights to purchase shares intended to be sold by an optionee and to repurchase shares issued thereunder, all of which will terminate on that date of this Prospectus.

Options become exercisable in installments as approved by the Board of Directors, and may be exercised on a cumulative basis at any time before expiration. Options expire as determined by the Board of Directors, but in no case later than five years from date of grant. In order to afford to optionees the opportunity of obtaining certain federal tax benefits applicable to qualified stock options, the Board of Directors elected in January 1981 to accelerate the vesting of all outstanding options to make them fully exercisable prior to May 21, 1981, subject to a repurchase right by ASK at the exercise price upon termination of the optionee's employment to the extent such options would not have been vested on such termination date prior to such acceleration.

At July 31, 1981, options to purchase 40,925 shares were outstanding at exercise prices ranging from $6.00 to $10.00, options had been exercised with respect to 131,726 shares (net of repurchases) and 202,349 shares remained available for grant under the Option Plan.

The following table sets forth as to certain officers of the Company and as to all directors and officers as a group: (i) the number of shares of Common Stock subject to options granted during the period from the beginning of the Company's last fiscal year to July 31, 1981, (ii) the average per share exercise price thereof, (iii) the net value (market value less exercise price) realized during the period upon the exercise of options granted during the period or prior thereto, (iv) the number of shares of Common Stock subject to options outstanding as of the end of the period, and (v) the potential (unrealized) value of such outstanding options as of the end of the period (market value less exercise price).

	Thomas C. Lavey	Martin R. Browne	All Directors and Officers as a Group (3 Persons)
Granted—7/1/80 to 7/31/81:			
Number of shares subject to options	—	9,000	14,000
Average per share exercise price	$ —	$7.22	$8.21
Exercised—7/1/80 to 7/31/81:	54,000	3,000	57,000
Net value realized (market value(1) less exercise price)	$150,000	$13,000	$163,000
Outstanding at 7/31/81:			
Number of shares subject to options	—	6,000	11,000
Potential (unrealized) value (market value(1) less exercise price)	$ —	$ —	$ —

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(1) Based on the fair value of the Common Stock as determined by the Board of Directors.

Restricted Stock Purchase Plan

In June 1980 the Board of Directors and shareholders of the Company reserved 300,000 shares of Common Stock for issuance to eligible employees (including officers and directors) of ASK pursuant to the Company's 1980 Restricted Stock Purchase Plan. A total of 276,600 shares of Common Stock has been issued pursuant to the plan at June 30, 1981. Of such shares an aggregate of 60,000 were sold at a purchase price of $1.67 per share to the Company's four non-employee directors in October 1980 and an aggregate of 163,500 shares were sold at a purchase price of $1.67 per share to the following officers:

Name	Number of Shares	Date of Purchase
Thomas C. Lavey	96,000	October 1980
Kenneth A. Fox	45,000	February 1981
Robert J. Riopel	22,500	February 1981

Payment was made for such shares by 8% promissory notes secured by the shares purchased and due five years from the dates thereof. The Restricted Stock Purchase Plan provides the Company with a right to repurchase a portion of the shares sold thereunder upon termination of the purchaser's employment with the Company or membership on the Board of Directors within five years after the date of purchase. As of June 30, 1981, 53,825 of the shares sold under the plan to directors and officers were vested. The largest amount of indebtedness outstanding from officers and directors to the Company, all of which was under the above described notes, was $372,500, of which $338,983 was still outstanding at June 30, 1981. All loans to officers and directors have been approved by a majority of the disinterested and independent directors. The Company has adopted a policy not to make loans to officers, directors or employees in the future.

Employee Stock Purchase Plan

The Company's 1981 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors and shareholders in July 1981. A total of 150,000 shares of Common Stock are reserved for issuance under the Purchase Plan. The Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code of 1954, as amended, is implemented by one offering during each six-month period and is administered by the Board of Directors or by a committee appointed by the Board. All employees are eligible to participate in the Purchase Plan on the first offering date after their employment. The Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions (which may not exceed 10% of an employee's compensation) at the lower of 85% of the fair value of the Common Stock at the beginning or end of each six-month offering period. Employees may terminate their participation in the Purchase Plan at any time and their participation ends automatically upon termination of employment with the Company. To date, no shares have been offered or sold to employees pursuant to the Purchase Plan.

Cash Profit Sharing Plan

The Board of Directors has adopted a cash profit sharing plan for fiscal 1982 under which distributions will be made by the Company to eligible employees in amounts up to an aggregate of 7% of pre-tax operating profit (prior to provision for federal income taxes). Distributions under the Plan will be made by the Company on a semi-annual basis within 30 days after the end of each six-month period and are allocated among eligible employees in the proportion that their base compensation for the six-month period bears to the aggregate of all base compensation of participating employees in that period. All full-time employees with a minimum of six months employment with the Company are eligible to participate in the plan but must be employed on the date of distribution in order to receive payment. For fiscal year 1981, approximately $111,000 was paid under a similar plan.

Management Bonus Plans

The Company has management bonus plans pursuant to which officers and other key employees may receive annual cash bonuses. Under these plans a target bonus is established for each participant. Payment of the bonus is based upon several factors, including the Company's achievement of specified sales and profit goals and upon the individual's achievement of established personal and departmental goals and objectives.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information, as of July 31, 1981, with respect to the beneficial ownership of the Company's Common Stock by the Selling Shareholders, by all shareholders known by the Company to be the beneficial owners of more than 5% of its outstanding Common Stock, by directors and by all officers and directors as a group:

Name or Identity of Group	Shares Beneficially Owned Prior to Offering		Shares to Be Sold	Shares to be Beneficially Owned After Offering(1)	
	Number	Percent		Number	Percent
Sandra L. Kurtzig 730 Distel Drive Los Altos, CA 94022	3,618,450(2)	87.0	542,050	3,076,400	62.7
Thomas C. Lavey	150,000(3)	3.6	40,000	110,000	2.2
Martin R. Browne	57,450	1.4	5,000	52,450	1.2
M. Kenneth Oshman	17,171(4)	0.4	—	17,171	0.3
Thomas I. Unterberg	15,750	0.4	—	15,750	0.3
Ronald W. Braniff	15,000	0.4	—	15,000	0.3
Craig W. Johnson	15,000	0.4	—	15,000	0.3
All officers and directors as a group (9 persons)	3,956,321	95.9	587,050	3,369,271	68.6
Selling Shareholders owning less than 1% of the Company's Common Stock (8 persons)	63,175	1.5	12,950	50,225	1.0

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(1) Assuming no exercise of the Underwriters' over-allotment option to purchase up to an aggregate of 135,000 shares from the Company.

(2) Includes 103,200 shares held in irrevocable trusts and custodial accounts for the benefit of Mrs. Kurtzig's sons, as to which shares Mrs. Kurtzig disclaims any beneficial interest.

(3) Includes 7,200 shares held in a custodial account for the benefit of Mr. Lavey's son, as to which shares Mr. Lavey disclaims any beneficial interest.

(4) Includes 2,171 shares representing Dr. Oshman's interest in Page Mill Investment Company, a limited partnership, of which Dr. Oshman is a limited partner.

By virtue of her beneficial ownership of approximately 87% of the outstanding Common Stock (63% after the offering made hereby) and her position as the founder and President of the Company, Sandra L. Kurtzig may be deemed to be a "parent" of the Company within the meaning of the rules and regulations promulgated under the Securities Act of 1933, as amended. Based upon the number of shares to be outstanding upon completion of the offering made hereby, Mrs. Kurtzig will be able to elect a majority of the Board of Directors of the Company.

DESCRIPTION OF COMMON STOCK

Common Stock

The Company is authorized to issue 20,000,000 shares of Common Stock, no par value. The holders of the Common Stock are entitled to one vote for each share held of record on all matters to be voted on by shareholders, and, upon giving notice required by law, are entitled to cumulate their votes in elections of directors. The holders of Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors in its discretion from funds legally available therefor. See "Dividend Policy". Upon liquidation or dissolution of the Company, the holders of Common Stock are entitled to receive pro rata all assets remaining available for distribution to shareholders. The Common Stock has no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to such shares. All of the outstanding shares of Common Stock are fully paid and nonassessable, and the shares of Common Stock to be outstanding upon completion of this offering will be fully paid and nonassessable.

Shares Eligible for Future Sale

Upon completion of the offering made hereby, the Company will have outstanding 4,908,326 shares of Common Stock, based upon shares outstanding at July 31, 1981 and assuming no exercise of the over-allotment option. Of these shares, the 1,350,000 shares sold in the offering made hereby (including 600,000 sold by Selling Shareholders) will be freely tradeable without restriction or registration under the Securities Act of 1933, as amended (the "Act"), and the remaining 3,558,326 shares held by existing shareholders are "restricted" shares.

Subject to the agreements described below, approximately 3,167,050 of the restricted shares will be eligible 90 days after the date of this Prospectus for sale in the open market in accordance with Rule 144 under the Act. In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned shares for at least two years, including persons who may be deemed "affiliates" of the Company as the term "affiliate" is defined under the Act, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of the Company's Common Stock (approximately 49,083 shares immediately after completion of this offering) or the average weekly trading volume in the Company's Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about the Company. However, a person (or persons whose shares are aggregated) who is not deemed an "affiliate" of the Company, and who has beneficially owned shares for at least three years, would be entitled to sell such shares under Rule 144 without regard to the volume limitations, manner of sale provisions or notice requirements. The Company has no agreements with any shareholders to register their Common Stock under the Act.

All of the Selling Shareholders have agreed that they will not, without prior written consent of the Representative of the Underwriters, offer, sell or grant any option to purchase or otherwise dispose of any of the shares of the Company's Common Stock beneficially owned by them (an aggregate of 3,289,075 shares) for a period of 90 days after the date of this Prospectus.

The Company intends to file a registration statement under the Act as soon as practicable after the date of this Prospectus to register the 393,274 shares of Common Stock reserved under the 1981 Employee Stock Purchase Plan and the Employee Stock Option Plan. Shares issued upon exercise of options after the effective date of such registration statement generally will be available for sale in the open market.

Prior to the offering made hereby, there has been no public market for the Common Stock of the Company, and no precise predictions can be made of the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock of the Company in the public market could adversely affect prevailing market prices.

Transfer Agent

The First National Bank of Boston is the Transfer Agent of the Company's Common Stock.

Reports to Shareholders

The Company will furnish its shareholders annual reports containing audited financial statements as well as quarterly reports containing unaudited consolidated financial information for each of the first three quarters of each fiscal year.

UNDERWRITING

In the Purchase Agreement, the Underwriters, represented by L. F. Rothschild, Unterberg, Towbin, have agreed severally, subject to the terms and conditions therein set forth, to purchase from the Company and the Selling Shareholders, and the Company and the Selling Shareholders have agreed to sell to them, the respective numbers of shares of Common Stock, totalling 1,350,000 shares, set forth below opposite their respective names. The Underwriters are committed to take and pay for all shares if any shares are taken.

The names of the several Underwriters and the respective numbers of shares to be purchased by each of them are:

Names	Number of Shares to Be Purchased
L. F. Rothschild, Unterberg, Towbin	
Total	1,350,000

The Underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this Prospectus. The Underwriters may allow a concession not exceeding $ per share to selected dealers who are members of the National Association of Securities Dealers, Inc. ("NASD") and to certain foreign dealers, and the Underwriters may allow, and such dealers may reallow, to members of the NASD and to certain foreign dealers a concession not exceeding $ per share. After the initial public offering, the public offering price and concessions may be changed.

The Company has granted an option to the Underwriters, exercisable during the eight-day period after the date of this Prospectus, to purchase up to a maximum of 135,000 shares of Common Stock at the same price per share as the initial 1,350,000 shares. The Underwriters may exercise such option only to cover over-allotments in the sale of the shares that the Underwriters have agreed to purchase. To the extent that the Underwriters exercise such option, each of the Underwriters has a firm commitment, subject to certain conditions, to purchase the same percentage of the option shares as the number of shares to be purchased and offered by that Underwriter in the above table bears to 1,350,000.

The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities which may be incurred in connection with this offering, including certain liabilities under the Securities Act of 1933.

The Underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

Thomas I. Unterberg, Managing Senior Partner of L. F. Rothschild, Unterberg, Towbin, is a director of the Company and the beneficial owner of 15,750 shares of the Company's Common Stock.

Pricing of the Offering

Prior to this offering, there has been no public market for the Common Stock of the Company. Consequently, the offering price will be determined by negotiation between the Company and the Representative of the Underwriters. Among the factors to be considered in such negotiations are prevailing market conditions, the price earnings ratios of publicly traded companies that the Company and the Representative believe to be somewhat comparable to the Company, estimates of the business potential and earning prospects of the Company and the present state of the Company's development. The estimated offering price range set forth on the cover page of this Prospectus should not, however, be considered an indication of the actual value of the Common Stock of the Company. Such price range is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The legality of the shares of Common Stock offered hereby will be passed upon for the Company by Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, Two Palo Alto Square, Palo Alto, California 94304. Craig W. Johnson, a member of such firm, is Secretary and a director of the Company and owns 15,000 shares of the Company's Common Stock. Pillsbury, Madison & Sutro, San Francisco, California are acting as counsel for the Underwriters in connection with certain legal matters relating to the shares of Common Stock offered hereby.

EXPERTS

The consolidated financial statements and related schedules of ASK Computer Systems, Inc. included in this Prospectus and elsewhere in the Registration Statement have been examined by Arthur Young & Company, certified public accountants, to the extent and for the periods indicated in their report with respect thereto, and are included herein in reliance upon such reports and upon the authority of such firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission, Washington, D.C. 20549, a Registration Statement under the Securities Act of 1933, as amended, with respect to the Common Stock offered by this Prospectus. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and such Common Stock, reference is made to such Registration Statement, exhibits and schedules.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
ASK Computer Systems, Inc.

We have examined the accompanying consolidated balance sheets of ASK Computer Systems, Inc. at June 30, 1981 and June 30, 1980 and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended June 30, 1981. 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 statements mentioned above present fairly the consolidated financial position of ASK Computer Systems, Inc. at June 30, 1981 and June 30, 1980 and the consolidated results of operations and changes in financial position for each of the three years in the period ended June 30, 1981 in conformity with generally accepted accounting principles applied on a consistent basis during the period after restatement for the change, with which we concur, in the method of accounting for revenue from the sale of computer hardware as described in Note 2.

ARTHUR YOUNG & COMPANY

San Jose, California
July 31, 1981

ASK COMPUTER SYSTEMS, INC.

CONSOLIDATED STATEMENT OF INCOME

	Years Ended June 30,		
	1979	1980	1981
Net revenue (Notes 1 and 2)	$2,774,719	$8,326,261	$13,000,053
Cost and expenses:			
Cost of revenue	1,559,682	4,619,313	6,616,633
Product development	334,678	437,576	1,125,411
Selling, general and administrative	466,176	1,446,301	2,722,445
Total cost and expenses	2,360,536	6,503,190	10,464,489
Operating income	414,183	1,823,071	2,535,564
Interest income, net	29,897	164,545	171,113
Income before income taxes	444,080	1,987,616	2,706,677
Provision for income taxes	207,000	993,000	1,216,000
Net income	$ 237,080	$ 994,616	$ 1,490,677
Earnings per share (Note 1)	$.06	$.27	$.38
Weighted average number of shares outstanding	3,750,300	3,750,600	3,965,300

See accompanying notes.

ASK COMPUTER SYSTEMS, INC.

CONSOLIDATED BALANCE SHEET

ASSETS

	June 30,	
	1980	1981
Current assets:		
Cash	$ 275,152	$ 216,429
Marketable securities, at cost plus accrued interest, which approximates market	1,640,413	1,449,203
Accounts receivable, less allowance for doubtful accounts of $100,000 ($67,000 in 1980) (Notes 1 and 2)	1,426,595	3,952,467
Prepaid income taxes	—	287,331
Total current assets	3,342,160	5,905,430
Property and equipment (Note 1):		
Equipment	303,934	957,089
Leasehold improvements	—	122,711
	303,934	1,079,800
Less accumulated depreciation and amortization	80,035	214,147
Net property and equipment	223,899	865,653
	$3,566,059	$6,771,083

LIABILITIES AND SHAREHOLDERS' EQUITY

	1980	1981
Current liabilities:		
Accounts payable	$ 738,301	$2,407,726
Accrued liabilities	342,763	477,857
Customer deposits	136,785	429,229
Income taxes payable	1,027,267	—
Deferred income taxes (Note 6)	11,317	540,000
Total current liabilities	2,256,433	3,854,812
Commitments (Note 4)		
Shareholders' equity (Note 3):		
Common stock, no par value; 20,000,000 shares authorized; 4,159,139 shares outstanding (3,750,600 in 1980)	21,497	676,748
Retained earnings	1,288,129	2,778,806
	1,309,626	3,455,554
Less notes receivable from shareholders	—	539,283
Total shareholders' equity	1,309,626	2,916,271
	$3,566,059	$6,771,083

See accompanying notes.

ASK COMPUTER SYSTEMS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock		Retained Earnings	Notes Receivable	Total
	Shares	Amount			
Balance at July 1, 1978	3,750,000	$ 21,297	$ 56,433	$ —	$ 77,730
Issuance of common stock under stock option plan	600	200	—	—	200
Net income	—	—	237,080	—	237,080
Balance at June 30, 1979	3,750,600	21,497	293,513	—	315,010
Net income	—	—	994,616	—	994,616
Balance at June 30, 1980	3,750,600	21,497	1,288,129	—	1,309,626
Issuance of common stock under stock option plan	131,939	82,451	—	—	82,451
Issuance of common stock under restricted stock purchase plan	276,600	572,800	—	(572,800)	—
Payment on notes receivable	—	—	—	33,517	33,517
Net income	—	—	1,490,677	—	1,490,677
Balance at June 30, 1981	4,159,139	$676,748	$2,778,806	$(539,283)	$2,916,271

See accompanying notes.

ASK COMPUTER SYSTEMS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Years Ended June 30,		
	1979	1980	1981
Sources of working capital:			
Working capital provided from operations:			
Net income	$ 237,080	$ 994,616	$1,490,677
Charges to operations not requiring the current use of working capital—depreciation and amortization	14,445	44,795	134,112
Total working capital provided from operations	251,525	1,039,411	1,624,789
Issuance of common stock, net of increases in notes receivable from shareholders	200	—	115,968
Total source of working capital	251,725	1,039,411	1,740,757
Application of working capital—additions to property and equipment	32,314	234,440	775,866
Increase in working capital	$ 219,411	$ 804,971	$ 964,891
Changes in components of working capital:			
Increases (decreases) in current assets:			
Cash	$ (69,289)	$ 219,688	$ (58,723)
Marketable securities	596,193	994,971	(191,210)
Accounts receivable	511,164	786,191	2,525,872
Prepaid income taxes	—	—	287,331
	1,038,068	2,000,850	2,563,270
Increases (decreases) in current liabilities:			
Note payable	49,418	(49,418)	—
Accounts payable	433,108	186,432	1,669,425
Accrued liabilities	81,966	223,239	135,094
Customer deposits	67,641	(14,836)	292,444
Income taxes payable	186,524	839,145	(1,027,267)
Deferred income taxes	—	11,317	528,683
	818,657	1,195,879	1,598,379
Increase in working capital	$ 219,411	$ 804,971	$ 964,891

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of ASK Computer Systems, Inc. and its wholly-owned Domestic International Sales Corporation (DISC) subsidiary, after elimination of inter-company accounts and transactions.

Property and equipment: Depreciation of equipment and furniture is provided principally by use of the straight-line method over their estimated useful lives (primarily five years). Leasehold improvements are amortized by use of the straight-line method over the lives of the related lease term or their useful lives, whichever is shorter. Maintenance and repairs are charged to expense as incurred.

Revenue recognition: Revenue from license fees on software, which generally consists of standard application software products, is recognized upon installation if installation is requested by the customer, or upon shipment if not so requested. The Company also receives license fees upon the sublicense of its software by licensees, and the revenue therefrom is also recognized upon installation of the software.

Revenue is recognized on the sale of computer hardware at the time of shipment.

Revenue from the Company's software subscription service, which includes updates to software products, is billed quarterly or annually, at which time revenue is recognized.

Revenue from the Company's on-line remote processing service, begun in December 1980, is recognized as the services are provided.

Earnings per share: Earnings per share are computed using the weighted average number of common shares outstanding during each period. Shares issuable upon the exercise of outstanding stock options are not included in the calculation because their effect is not material.

Investment tax credits: Investment tax credits are used to reduce federal income tax expense in the year the related assets are placed into service.

Industry segment and geographic information: The Company designs and produces application software products and markets them along with general purpose minicomputers to manufacturing companies. No customer accounted for more than 10% of revenue in 1979, 1980, or 1981. The Company licenses its software through licensees in foreign countries. These fees amounted to approximately 6% in 1981 and were not material in 1979 or 1980.

2. Restatement of Revenue

Prior to fiscal 1981, the Company recognized revenue on both the sale of computer hardware and the license of software at the time the software was installed. In fiscal 1981 the Company began recognizing the hardware revenue and cost of revenue at the time of shipment when the risk of ownership passes to the customer. This change in accounting was made to be more consistent with general industry practices. In accordance with Accounting Principles Board Opinion No. 20, all prior fiscal periods were restated to reflect hardware revenue and cost of revenue at the time of shipment. The effects were to increase revenue and net income in 1979 by $656,714 and $86,844 ($.02 per share), respectively, and to reduce revenue and net income in 1980 by $534,893 and $86,934 ($.02 per share), respectively.

3. Common Stock

Stock split: In June 1981, the Company increased its authorized common shares from 7,500,000 to 20,000,000 and declared a three-for-two stock split. Numbers of common shares and per share amounts for all periods presented have been adjusted to reflect the effect of the stock split.

Stock option plan: In December 1974, the Board of Directors adopted a stock option plan under which options for a total of 375,000 shares of common stock may be granted to key employees. Options granted under the plan have been granted at no less than 100% of the fair market value on the date of grant, as determined by the Board of Directors. Options granted have been exercisable over varying periods, and expire no more than five years from the grant date. Proceeds of $200 and $82,451 in 1979 and 1981, respectively, under the plan have been credited to shareholders' equity; no charges have been made to income in connection with this plan.

Information with respect to stock options is summarized as follows:

	Available for Grant	Options Outstanding	Aggregate Price	Price Per Share
Balance at June 30, 1978	360,000	15,000	$ 5,000	$ .33
Options granted	(77,250)	77,250	28,000	$ .33-$ .50
Options exercised	—	(600)	(200)	$ .33
Balance at June 30, 1979	282,750	91,650	32,800	$ .33-$ .50
Options granted	(26,250)	26,250	13,125	$ .50
Balance at June 30, 1980	256,500	117,900	45,925	$ .33-$ .50
Options granted	(38,664)	38,664	115,251	$1.67-$6.00
Options exercised	—	(131,939)	(82,451)	$ .33-$1.67
Options cancelled	12,900	(12,900)	(8,375)	$ .50-$1.67
Balance at June 30, 1981	230,736	11,725	$ 70,350	$6.00

Options for 63,075 shares were exercisable at June 30, 1980; none were exercisable at June 30, 1981.

Key employee restricted stock purchase plan: In June 1980, the Board of Directors reserved 300,000 shares of the Company's common stock for issuance to certain officers, directors and key employees of the Company pursuant to a restricted stock purchase plan. The purchase price of shares sold pursuant to the plan has been the fair market value on the date of sale, as determined by the Board of Directors. At June 30, 1981, 276,600 shares of common stock had been issued under the plan. Certain of the shares sold under the plan are subject to repurchase by the Company at the original sale price if the employee or director leaves the service of the Company within five years from the purchase date. The number of shares subject to the repurchase option is reduced ratably over the five year period.

Employee stock purchase plan: In July 1981, the Board of Directors and the shareholders approved the reservation of 150,000 shares of the Company's common stock for issuance to employees pursuant to an employee stock purchase plan. To date, no shares have been offered or sold to employees under this plan.

Notes receivable from shareholders: The notes receivable from shareholders arose from the sale by the Company of its Common Stock under its key employee restricted stock purchase plan. The notes are secured by a pledge of the shares issued, bear interest at 8%, and are payable on various dates through June 1986.

4. Lease Commitments

The Company operates in leased and rented facilities. Rent expense was $28,000, $51,000, and $204,000 in 1979, 1980, and 1981, respectively. Aggregate minimum annual lease commitments are $348,000, $393,000, $454,000, $536,000, $462,000, and $2,275,000 in 1982, 1983, 1984, 1985, 1986, and 1987-1990, respectively.

5. Profit Sharing Plan

The Company adopted a profit sharing plan during fiscal 1981 under which the Board of Directors may set aside up to 7% of pre-tax profits for semi-annual distribution to employees. The provision for 1981 was $111,000. The plan replaced an informal bonus plan, under which bonuses of $41,000 and $31,000 were provided in 1979 and 1980, respectively.

6. Income Taxes

The provision for income taxes comprises:

	1979	1980	1981
Current:			
Federal	$167,000	$792,683	$ 553,317
State	40,000	189,000	134,000
	207,000	981,683	687,317
Deferred:			
Federal	—	11,317	448,683
State	—	—	80,000
	—	11,317	528,683
	$207,000	$993,000	$1,216,000

Deferred taxes are recorded to reflect timing differences in reporting revenue and expense for financial statements and income tax purposes. The sources of these differences and the tax effect of each in 1981 are deferred profit on system sales treated as installment sales for tax purposes ($463,000), DISC operations ($22,683) and depreciation expense ($43,000). In 1980 the effect due to DISC operations was $11,317. As of June 30, 1981, the DISC had accumulated undistributed earnings of $147,000 on which federal income taxes have not been provided. The Company intends to comply with all Internal Revenue Service requirements for the permanent deferral of taxes related to these earnings.

Investment tax credits amounted to $1,220, $15,254, and $65,991 in 1979, 1980, and 1981, respectively.

The Company's effective tax rate differs from the statutory U.S. federal income tax rate as follows:

	1979	1980	1981
Federal income tax statutory rate	47%	46%	46%
Federal surtax exemption	(3%)	(1%)	(1%)
State taxes, net federal income tax benefits	5%	5%	4%
Income of DISC not subject to U.S. tax	—	—	(2%)
New jobs credit	(2%)	—	—
Investment tax credit	—	—	(2%)
Effective tax rate	47%	50%	45%

DEC VAX

got a 780 just recently

will look the same to user

4300 - no plans as yet

keep doors open for

transportability

VAX allows a little upgrade

50% of revs =

cop = h'ware

salescycle has extended

3-4 mo salescycles } selling

5-10 mandays } cycle

adds 1 mo → 6 wks

10%

take only

s'ware

$1.2m quota for acct

rep.

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how many s-men

by June 82 30

H-P

marman - stld in '78

never lost a sale to

their product

16 loc'ns in US
revs/employee
seasonality
goal is ≈ 10% a-tax
20% deposit on rec. of order

↗ online remote svc
prod. dev.
work K

$100 m in next 5 yrs

look at any custs.

mfr cos tend to
divisionalize
so we can
handle anyone
but not GM's
biggest plant

software subscr.

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typ. cust
$8500 p.a.
s'w. subs.

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educ'l svcs.

4 courses
4 wks, ~~[illegible]~~ 3-5 days
scope - not sign.
< 3-4% of revs
profitable
offer more complete
solution etc.

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rcs = 8%

impact of rem. svc. — no neg. impact
one new system for 20 crts
some cos 4 crts some cos. 20

HP, Sperry & ~~others~~ now DEC ----

suc. revs.
training revs

R&D=9%

in mind

maint suc mgt
data coll
QA
fixed assets - Dec.

price Δs?
mkt 46,000 sites

sales 9 → 12 m
invs ↓ 1.3 → 0.8
late deliveries 5% → 1%
shortages ↓ 50%

TRW, Armco, Hughes
NBI, Tandon, Microp.,
Convergent, NBI

ASK COMPUTER SYSTEMS, INC.

COMMON STOCK
1,350,000 SHARES

PROSPECTUS

L.F. ROTHSCHILD, UNTERBERG, TOWBIN