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Address Correction Requested



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Second
Quarter
Report

Six Months
Ended
May 31, 1985



Decision Data

Dear Shareholder:

At a time when the economic climate for the mainframe computer manufacturers is seriously eroding their revenues and net income, we are pleased to announce that net income for the second quarter increased 24%, with a concurrent 26% rise in revenues for the second quarter period ended May 31, 1985.

Revenues were \$42,914,000, compared to \$33,951,000 in 1984. Income (before income taxes) was \$3,627,000 as compared to \$2,995,000 reported in 1984. Net income was \$2,220,000, or \$.23 per share, a 24% increase over the \$1,795,000, or \$.23 per share earned in last year's second quarter. It should be noted that the average number of shares outstanding rose to 9,454,000 from 7,767,000, as a result of your Company's common stock offering in February, 1985.

Six Month Results

Revenues increased 29%, to \$85,936,000, from \$66,846,000 in the first six months of 1984. Income (before income taxes) for the same period improved by 37%, rising to \$8,002,000, compared to \$5,855,000 in 1984. Net income improved by 39%, \$4,801,000, or \$.55 per share, versus \$3,454,000, or \$.44 per share last year.

A Slight Dip

As we had projected, revenues for the second quarter were slightly lower than in the first quarter. While many mainframe computer manufacturers are generally reporting significantly lower sales and earnings, your Company had only a slight dip in second quarter revenues compared to the first quarter. There was a decline in backlog of 12%, \$25,100,000 compared to \$29,600,000 reported on May 31, 1984.

While the computer industry's much-publicized malaise has limited the sale of mainframe computers, it has also had some effect on your Company's sales. Nonetheless it presents us with a unique opportunity, because our peripherals offer computer-systems managers more productivity at lower costs. This is exemplified in two new products, a CRT work station with advanced functions, and a new printer that produces near-letter-quality at 50 characters per second, or data-processing text at 200 characters per second.

Subsidiary Operations

Second quarter results were improved substantially by an increase in revenues from our international operations, particularly in France and Germany. Decision Data Service Inc. has increased its profit margins and expanded its third-party maintenance business. Our International Computerized Telemarketing subsidiary also continues to demonstrate its ability to increase both revenues and profitability.

Sincerely,

Richard J. Schineller

Richard J. Schineller
President and Chief Executive Officer
Decision Data Computer Corporation and Subsidiaries

Consolidated Statements of Operations

(\$000 Omitted Except Per Share Amounts) (Unaudited)	For the Three Months Ended		For the Six Months Ended	
	May 31, 1985	May 31, 1984 ⁽¹⁾	May 31, 1985	May 31, 1984 ⁽¹⁾
Revenues:				
Net sales	\$30,376	\$23,300	\$62,241	\$46,995
Maintenance	10,689	8,060	20,006	15,615
Rentals	824	1,153	1,766	2,239
Other income	1,025	938	1,923	1,997
	42,914	33,951	85,936	66,846
Cost and Expenses:				
Cost of revenues:				
Net sales	16,257	13,596	33,719	26,798
Maintenance	8,865	6,778	16,576	13,361
Rentals	275	240	647	610
Engineering, design and product development costs	2,138	1,579	4,051	3,036
Selling, general and administrative expenses	11,683	8,695	22,776	17,053
Interest expense	69	68	165	133
	39,287	30,956	77,934	60,991
Income Before Income Taxes	3,627	2,995	8,002	5,855
Provision for income taxes	1,407	1,200	3,201	2,401
Net Income	\$ 2,220	\$ 1,795	\$ 4,801	\$ 3,454
Earnings Per Common Share⁽²⁾:				
Net income	\$.23	\$.23	\$.55	\$.44

⁽¹⁾ Restated to conform with current classifications.

⁽²⁾ Earnings per common share have been computed based on the weighted average number of shares outstanding during the periods plus the equivalent shares that would result from the exercise of dilutive stock options, stock purchase warrants and stock appreciation rights.

Consolidated Balance Sheets

(\$000 Omitted)	May 31, 1985	November 30, 1984 ⁽¹⁾
Assets		
Current Assets:		
Cash and cash equivalents	\$ 18,076	\$ 5,067
Receivables, net of reserves	29,439	25,010
Inventories, net of reserves	41,008	36,965
Prepaid expenses	1,154	1,268
Deferred income taxes	4,701	4,063
Other current assets	1,293	978
Total current assets	95,671	73,371
Long-Term Receivables	3,508	3,301
Rental Equipment , at cost, less accumulated depreciation of \$8,635 in 1985 and \$9,689 in 1984	2,506	2,423
Property , at cost		
Tooling	1,578	1,288
Machinery and equipment	13,954	8,635
Furniture, fixtures and leasehold improvements	4,448	3,532
	19,980	13,455
Less accumulated depreciation and amortization	(6,952)	(5,964)
	13,028	7,491
Other Assets	450	379
	\$115,163	\$86,965
Liabilities and Shareholders' Equity		
Current Liabilities:		
Notes payable to banks	\$ 3,004	\$ 0
Current portion of long-term debt	351	324
Accounts payable	6,730	12,444
Accrued expenses	11,373	12,321
Deferred revenues	2,472	1,659
Income taxes	5,302	5,873
Total current liabilities	29,232	32,621
Long-Term Debt	1,271	1,287
Deferred Income Taxes	1,660	1,551
Shareholders' Equity:		
Common stock, \$10 per value, authorized 20,000,000 shares, issued 9,389,522 shares in 1985 and 7,843,959 shares in 1984	939	784
Additional paid-in capital	64,358	37,830
Retained earnings	18,554	13,753
Less common shares held in treasury, at cost: 46,638 shares in 1985 and 46,197 shares in 1984	(329)	(322)
Foreign currency translation adjustment	(522)	(539)
Total shareholders' equity	83,000	51,506
	\$115,163	\$86,965