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Address Correction Requested



Third
Quarter
Report

Nine Months
Ended

Decision Data

Dear Shareholder:

Despite the generally sluggish economy, your Company posted an increase in revenues of 16% for the third quarter ended August 31, 1985. However, there was a 24% decline in net income.

Revenues for the third quarter were \$43,875,000 compared to \$37,676,000 for the comparable period in 1984. Income (before income taxes) was \$2,672,000, with \$3,571,000 reported last year. Net income was also reduced for the third quarter: \$1,603,000 or \$.17 per share, compared to \$2,107,000 or \$.27 per share last year.

Variance

Third-quarter revenues and income were affected by your Company's response to IBM's June price decrease on certain competitive products. However, the variance between revenues and earnings per share for the third quarter can also be attributed to other factors. As a result of a common-stock offering in February 1985, the average number of shares outstanding increased to 9,447,000 from 7,863,000. There were also start-up costs associated with our new subsidiary, Decision Restaurant Systems Corporation.

Nine-Month Operations

For the nine-month period ended August 31, 1985, revenues were \$129,811,000 compared to \$104,522,000 in 1984. Income (before income taxes) was \$10,674,000 up from \$9,426,000 in the comparable period of 1984. Net income rose to \$6,404,000 or \$.71 a share, versus \$5,561,000 or \$.71 per share last year.

Optimistic Forecast

On a more positive note, current bookings are strong. Backlog at August 31, 1985 was \$27,600,000 — up from \$26,100,000 at May 31, 1985. Two new products, a serial printer and a work station were introduced and are being favorably received in the marketplace.

Decision Data Service Inc. continues to expand its third-party equipment maintenance business and is increasing its profit margin.

Decision Restaurant Systems, Inc. is in a systems start-up mode and will not make a contribution to revenues until fiscal 1986. International Computerized Telemarketing is expanding its capabilities by installing a new, more advanced computer system. This is expected to enable ICT to increase its telemarketing services to an even broader market.

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 Nine Months Ended	
	August 31, 1985	August 31, 1984 ⁽¹⁾	August 31, 1985	August 31, 1984 ⁽¹⁾
Revenues:				
Net sales	\$30,959	\$27,415	\$ 93,200	\$ 74,410
Maintenance	11,038	8,602	31,044	24,217
Rentals	820	973	2,586	3,212
Other income	1,058	686	2,981	2,683
	43,875	37,676	129,811	104,522
Cost and Expenses:				
Cost of revenues				
Net sales	17,247	14,985	50,967	41,783
Maintenance	8,840	7,269	25,415	20,630
Rentals	320	351	967	961
Engineering, design and product development costs	2,372	1,611	6,423	4,647
Selling, general and administrative expenses	12,291	9,818	35,067	26,871
Interest expense	133	71	298	204
	41,203	34,105	119,137	95,096
Income Before Income Taxes	2,672	3,571	10,674	9,426
Provision for income taxes	1,069	1,464	4,270	3,865
Net Income	\$ 1,603	\$ 2,107	\$ 6,404	\$ 5,561
Earnings Per Common Share⁽²⁾:				
Net income	\$.17	\$.27	\$.71	\$.71

⁽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)

	August 31, 1985	November 30, 1984 ⁽¹⁾
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 20,476	\$ 5,067
Receivables, net of reserves	31,440	25,407
Inventories, net of reserves	42,084	36,965
Prepaid expenses	2,159	1,268
Deferred income taxes	4,818	4,083
Other current assets	1,875	581
Total current assets	102,852	73,371
Long-Term Receivables	2,507	3,301
Rental Equipment , at cost, less accumulated depreciation of \$9,076 in 1985 and \$9,639 in 1984	2,317	2,423
Property , at cost		
Tooling	1,649	1,288
Machinery and equipment	15,379	8,636
Furniture, fixtures and leasehold improvements	5,226	3,532
	22,254	13,455
Less accumulated depreciation and amortization	(7,574)	(5,964)
	14,680	7,491
Other Assets	482	379
	\$122,838	\$86,965
Liabilities and Shareholders' Equity		
Current Liabilities:		
Notes payable to banks	\$ 4,439	\$ 0
Current portion of long-term debt	365	324
Accounts payable	10,425	12,444
Accrued expenses	10,843	12,321
Deferred revenues	2,643	1,659
Income taxes	5,911	5,873
Total current liabilities	34,626	32,621
Long-Term Debt	1,197	1,287
Deferred Income Taxes	1,860	1,551
Shareholders' Equity:		
Common stock, \$.10 par value, authorized 20,000,000 shares, issued 9,400,201 shares in 1985 and 7,843,959 shares in 1984	940	784
Additional paid-in capital	64,520	37,830
Retained earnings	20,157	13,753
Less common shares held in treasury, at cost: 50,413 shares in 1985 and 46,197 shares in 1984	(378)	(322)
Foreign currency translation adjustment	(84)	(539)
Total shareholders' equity	85,155	51,506
	\$122,838	\$86,965