



**TO OUR STOCKHOLDERS,
EMPLOYEES AND FRIENDS:**

For the second quarter of 1985, Apollo achieved significant increases in net sales and earnings over the same period a year ago despite a weak domestic market for computer equipment. Net sales for the quarter of \$87,548,000 were nearly double those for the comparable three months in 1984. Net income increased 43% to \$7,365,000 or \$.21 per share from results of a year ago.

We continued to show steady growth in our penetration of the technical marketplace. Over 100 new accounts were added this quarter bringing the six month total to a record 220. In addition, we announced a large contract with Siemens AG of West Germany, one of the world's leading electrical/electronics enterprises.

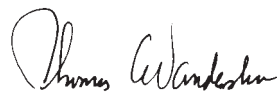
Nevertheless, we currently face the probability of a sequential quarterly decrease in revenues in the third quarter due to a depressed order rate primarily in the OEM/system builder sector; seasonal factors in international markets and product transitions. We have instituted company-wide, cost-reduction measures, including a six-day, unpaid furlough for most employees. However, it continues to be Apollo's strategy to maintain key product and market development programs, thus a decline in revenues could adversely impact our near-term profitability.

Looking beyond current business conditions, we recently enhanced our position as the computer industry's workstation leader with the introduction of several products—two powerful workstations, the monochromatic DN330 and color DN560, based on Motorola's new 68020 processor; a three-dimensional graphics architecture; and a new open-architecture program letting users access data and resources from geographically-dispersed DOMAIN® systems as well as multi-vendor computing environments, including IBM and Digital Equipment Corporation.

Our broad range of products, a highly automated manufacturing facility in New Hampshire, and an established worldwide sales and service organization assure that Apollo will be ready to respond to a resurgence in demand. We believe we are well-positioned in the fastest growing portion of the computer industry and, although the short-term may be difficult, we are confident about the future.



John William Poduska, Sr.
Chairman of the Board



Thomas A. Vanderslice
President and Chief
Executive Officer

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Consolidated Statement of Operations (Unaudited)

(In thousands, except earnings per share)	Second Quarter Ended		Six Months Ended	
	June 29, 1985	June 30, 1984	June 29, 1985	June 30, 1984
Net Sales	\$87,548	\$46,007	\$169,668	\$82,685
Costs and Expenses:				
Cost of Sales	42,054	20,893	81,378	37,289
Research and Development	11,520	5,534	20,798	10,291
Selling, General and Administrative	22,202	11,045	41,559	20,271
Interest Income, Net	(61)	(180)	(642)	(785)
Total Costs and Expenses	75,715	37,292	143,093	67,066
Income Before Provision for Income Taxes	11,833	8,715	26,575	15,619
Provision for Income Taxes	4,468	3,573	10,364	6,403
Net Income	\$ 7,365	\$ 5,142	\$ 16,211	\$ 9,216
Earnings Per Share	\$ 0.21	\$ 0.17	\$ 0.47	\$ 0.30
Weighted Average Shares Outstanding	34,623	31,085	34,594	31,085

Certain reclassifications have been made to conform the 1984 amounts to the 1985 presentation.

Consolidated Balance Sheet (Unaudited)

(In thousands)	June 29, 1985	March 30, 1985
Assets		
Cash and Investments	\$ 18,825	\$ 34,833
Accounts Receivable	62,519	58,798
Inventories	77,769	72,484
Other Current Assets	3,597	2,954
Total Current Assets	162,710	169,069
Equipment and Leaseholds	85,261	67,999
Other Assets	1,257	2,342
Total Assets	\$249,228	\$239,410
Liabilities and Stockholders' Investment		
Accounts Payable	\$ 32,407	\$ 38,263
Short-term Capital Leases	579	535
Accrued and Deferred Income Taxes	1,543	4,938
Accrued Expenses	16,858	10,013
Total Current Liabilities	51,387	53,749
Deferred Income Taxes	8,295	5,462
Long-term Capital Leases	664	857
Stockholders' Investment	188,882	179,342
Total Liabilities and Stockholders' Investment	\$249,228	\$239,410