FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

QMS INC

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Business Address
ONE MAGNUM PASS
MOBILE AL 36618
2056334300

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. [FEE REQUIRED]
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1994.

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. [NO FEE REQUIRED]
FOR THE TRANSITION PERIOD FROM ___ TO ___ .

Commission file number 1-9348

QMS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	63-0737870 (I.R.S. Employer Identification No.)
One Magnum Pass, Mobile, Alabama (Address of principal executive offices)	36618 (Zip Code)

Registrant's telephone number, including area code: (205) 633-4300

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value per share	New York Stock Exchange
Rights to purchase shares of Series A Participating Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the

Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes XX No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT AS OF NOVEMBER 28, 1994; APPROXIMATELY $92,988,506.

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AS OF NOVEMBER 28, 1994: 10,671,157

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD JANUARY 24, 1995 ARE INCORPORATED BY REFERENCE INTO PART III.

PART I

ITEM 1. BUSINESS.

General

The Registrant designs and manufactures intelligent controllers which enhance the graphics capabilities and performance of computer printing and imaging systems. The Registrant incorporates its controllers, which consist of software implemented on printed circuit boards, into computer printing and imaging systems which it markets, sells and supports. The Registrant also markets its controllers separately for incorporation into products marketed by others.

The Registrant was incorporated under the laws of the State of Alabama in 1977 and reincorporated as a Delaware corporation in 1982. Its principal executive offices are located at One Magnum Pass, Mobile, Alabama 36625, (205) 633-4300. Effective January 15, 1995 the telephone number will change to (334) 633-4300.

Products1<F1>

The Registrant's principal products are intelligent nonimpact print systems consisting of purchased print engines, proprietary hardware and software, proprietary intelligent printer-to-computer interfaces and other components. The Registrant also designs, markets and supports intelligent raster image processors implemented as either proprietary software or hardware; proprietary intelligent printer-to-computer interfaces to enable printers marketed by others to perform specialized publishing applications; intelligent processors with proprietary hardware, software and intelligent printer-to-computer interfaces to enable impact printers marketed by others to produce graphics such as labels and bar codes used in the automatic identification market segment; and intelligent processors with proprietary hardware, software and intelligent interfaces to perform specialized office functions including printing, copying, scanning and faxing.

The majority of the Registrant's products support the functionality of Adobe Systems Incorporated's PostScript page description language, and Hewlett Packard's PCL(R) page description language. The Registrant offers products with PostScript Level 1 from Adobe as well as products with UltraScript(TM), a QMS-developed PostScript interpreter that is compatible with Adobe's PostScript Levels I and II. All but a small number of products that support UltraScript also support the QMS-developed PCL5 page description language.

The nonimpact printing products marketed by the Registrant address the printing needs of customers in electronic publishing, general business, automatic identification, scientific and engineering environments. The Registrant's nonimpact printing products include both color and monochrome printer systems with a variety of speeds, paper-handling and performance characteristics.

The Registrant's intelligent processor products are used in impact printers for interfacing and industrial graphics applications and in nonimpact printers for electronic publishing and document-processing applications.

The Registrant also markets accessories, add-ons and software for use with its nonimpact printing systems and offers spare parts, fonts, consumables, maintenance services and other support for its products.

The majority of the Registrant's new product offerings during fiscal 1994 were based on the Registrant's Crown advanced document-processing technology, which provides a combination of high-performance capabilities. RISC (Reduced Instruction Set Computing) processors, support for multiple page description languages, simultaneously active computer and network interfaces, and the ability to differentiate the resident languages supported by a product and switch between them without user intervention are among the features Crown technology provides.

During fiscal 1994, the Registrant enhanced its product line by introducing print systems with capabilities to support simultaneous network connectivity to multiple protocol stacks. This capability, called QMS CrownNet(TM), is a line of adapter cards and software which enhances the entire Crown product line with additional connectivity in the IBM OS/2 marketplace and significantly enhances its support in the Novell Netware arena. It also provides superior performance to several other network options.

Three new monochrome printers were introduced which utilize Crown technology. Two of the monochrome printers use hardware architectures which revolve around the Registrant's first set of highly integrated ASIC technology designs. These ASICs provide considerable space and power savings over earlier designs that afforded the Registrant the ability to introduce a new 10 page per minute (ppm), 600 dot per inch (dpi) printer, and to introduce a new 16 ppm, 1200x600 dpi printer with the ability to support supersize page formats. The Registrant also introduced a 38 ppm, 600 dpi monochrome laser print system designed to address the general purpose and high-volume document printing needs of large work groups as well as data processing, on-demand printing and distributed printing applications. All these printers combine the performance, seamless network printing interoperability and software loadable upgradability of Crown with highly advanced paper handling and print capabilities.

The Registrant also introduced a new color laser print system which combines the multi-tasking, networking capabilities of Crown technology with the ability to print high quality laser text and graphics at 600x600 dpi in color and black and white. This print system can print on plain paper, on a variety of paper stocks, and on transparencies. In addition, the Registrant introduced a multifunction desktop office system designed to seamlessly integrate common business office communication functions into a single device to improve office productivity.

Most of the Registrant's products provide high-resolution (600x600 and 1200x600 dots per inch), large format laser printing (monochrome and/or color), advanced document-handling features, optional network connectivity or a combination of these features.

SALES AND MARKETING

The market for the Registrant's products is related to the market for computer systems generally. Current end users of the Registrant's products include many Fortune 500 companies, governmental agencies and educational institutions. In the United States, the Registrant sells its products primarily through its direct sales channel and through resellers including national and regional distributors and computer dealers.

As of September 30, 1994, the Registrant operated direct sales offices in 29 cities in 21 states.

Wholly owned subsidiaries of the Registrant operate in Europe, Canada, Australia and Japan. The Registrant, either directly or through its international network, markets its products in approximately 68 countries outside of the United States.

The Registrant's 10 largest customers accounted for an aggregate of approximately 28% of total net sales during fiscal 1994. During fiscal 1994, no single customer accounted for more than 10% of the Registrant's total net sales.

The Registrant's products are advertised in the United States and international markets and exhibited at industry trade shows in the United

States and internationally under the Registrant's name and under the names of its wholly owned subsidiaries. The Registrant also provides field sales support, including training for customers and resellers, trade show exhibits, sales training and assistance to sales representatives to facilitate sales. The Registrant believes that this support has been well-received by its customers and sales organizations and has assisted the Registrant in the introduction of new products.

INTERNATIONAL OPERATIONS

In fiscal 1992, 1993 and 1994, international sales totaled $103,517,000, $128,782,000 and $135,532,000 respectively, representing approximately 40%, 43% and 46%, respectively, of the Registrant's net sales. The Registrant derives its international sales primarily from Western Europe, Canada, the United Kingdom, Scandinavia, Australia and Japan. To a lesser degree, international sales have been generated in various Far Eastern and Pacific Rim countries (in addition to Japan) and in Central and South America. The Registrant generally invoices customers in their local currency and therefore is exposed to currency translation risks.

In terms of the cost of goods sold of components used in the Registrant's products, the Registrant purchases a substantial majority of such components abroad, primarily from Japanese companies. Accordingly, the cost of such components may increase as the value of the United States dollar depreciates relative to the currency of the source country.

The financial statements of the Registrant's foreign subsidiaries are affected by foreign currency fluctuations. See Note 1 and Note 13 of Notes to the Registrant's Consolidated Financial Statements. For financial information regarding the Registrant's foreign and domestic operations and export sales, see Note 13 under Item 8 --- Financial Statements and Supplementary Data.

SERVICE, SUPPORT AND WARRANTY

The Registrant provides a high level of technical and software support and maintenance service and support to its end users directly and through distributors, resellers and third party service providers. A staff of engineers and technicians provides systems applications support, field service support and customer training for the use and maintenance of the Registrant's products. In the United States, the Registrant provides technical hardware and software support and maintenance service from its home office in Mobile, Alabama, and from field offices located in 53 cities in 34 states. Technical support is provided via telephone and electronic bulletin boards while a national service organization provides choices of return to depot or factory, on site and special contractual service. Internationally, the Registrant provides technical service in Europe from its office located in Utrecht, the Netherlands, and in Australia and Canada. In Canada, the Registrant provides service through its direct service organization as well as through certain authorized dealers.

The Registrant warrants its products for a period of from 90 days to 2 years from the date of shipment, depending on the product. The Registrant's annual warranty costs have not been significant relative to the Registrant's net sales.

COMPETITION

Competition in the computer printing industry is extremely intense and a number of the Registrant's competitors have far greater financial, technical, marketing and manufacturing resources than the Registrant. Management believes that performance, reliability, versatility of features, product support and price are the primary bases of competition in this market. Further, in some of its markets, the Registrant competes against noncomputerized means of labeling products, such as offset printing. The Registrant would be adversely affected if its competitors successfully marketed products that were technologically superior or significantly lower in price.

The Registrant's intelligent print systems are positioned to compete in the low- and medium-speed, nonimpact page printer market. Nonimpact laser printing competes with other technologies in the computer printer market, including inkjet, dye sublimation, ion disposition, magnetic, thermal and impact printers. Companies whose nonimpact printers compete with the Registrant's include Apple Computers Inc., Canon, Inc., Oki Electric Industry Company, Ltd., Digital Equipment Corporation, Hewlett-Packard Company, Lexmark (International Business Machines Corporation), NEC Technologies, Inc., Seiko Epson Corp., Tektronix, Inc. and Xerox Corporation.

In addition to selling intelligent print systems for the nonimpact page printer market, the Registrant also markets other products. The Registrant competes against a variety of vendors in the marketing of these other products such as its software raster image processors. Other companies also offer products that have some capabilities which compete with those of certain of the Registrant's MAGNUM series products for impact printers. Many of these competitors are larger companies with greater financial resources than those of the Registrant.

MANUFACTURING AND QUALITY CONTROL

The Registrant assembles its intelligent processors by adding components to printed circuit boards manufactured according to its designs and specifications. Essentially, the Registrant manufactures its products by assembling components and subassemblies manufactured by others. The intelligent processors, which include electronic circuitry and software designed by the Registrant, are tested to assure quality and consistency of production and design.

Most of the parts, components and subassemblies used in the Registrant's products are available to the Registrant from a variety of sources. When management determines that a particular supplier is sufficiently reliable, however, the Registrant generally chooses to rely on a single source for its requirements in order to ensure a sufficient supply to meet its needs. If the Registrant were required to change its sources of certain of those materials unexpectedly, the Registrant might be adversely affected during the time it would take to negotiate new arrangements with another vendor and to integrate those materials into its production process. See "Print Engines" below.

During fiscal 1994, the Registrant performed manufacturing and assembly operations in Mobile, Alabama; Utrecht, the Netherlands; and Utsunomiya, Japan.

One of the Registrant's wholly owned subsidiaries manufactures prototype printed circuit boards for the Registrant and for sale to third parties. This subsidiary has provided the Registrant with partial vertical integration in the production of printed circuit boards.

In addition to in-house manufacturing, the Registrant routinely contracts with certain vendors to manufacture high-volume, standard products.

ORDER BACKLOG

Only firm purchase orders are included in the Registrant's backlog. Backlog generally is deliverable within 12 months from the date of the purchase orders. As of October 1, 1993 and September 30, 1994, backlog consisted of orders to purchase worth $13,045,000 and $8,577,000, respectively, of QMS products and services. These figures include orders generated by the Registrant's international operations. The Registrant expects to fill all of the September 30, 1994 backlog during fiscal 1995.

The Registrant does not believe that sales of its products are subject to significant seasonal fluctuations.

The Registrant attempts to maintain adequate finished goods inventory to ship goods off the shelf whenever possible. Because a substantial portion of the sales in any given month historically has been derived from new orders received during the month, backlog is not necessarily an accurate indicator of future revenues.

PRINT ENGINES

The Registrant purchases substantially all of the print engines for its products from third-party manufacturers. The Registrant has agreements to purchase print engines for its products from Canon U.S.A., Inc. and Mitsubishi Electronics America, Inc. The Registrant also purchases print engines from other vendors, including Ricoh Company, Ltd., Hitachi America, Ltd., Minolta Co., Ltd., and Oce'-Nederland B.V. While other sources are available, the Registrant currently relies on these suppliers' abilities to make print engines available as needed by the Registrant. Some of these print engines are supplied to the Registrant pursuant to the terms of contracts entered into which specify prices to be paid for each print engine depending upon the annual volume of print engines purchased from that manufacturer. Certain of the Registrant's supply contracts with foreign manufacturing sources are subject to adjustment for exchange rate fluctuations.

The Registrant believes that its requirements for print engines for fiscal 1995 will be adequately met under the terms of existing arrangements and those expected to be entered into in fiscal 1995. The Registrant has some flexibility to adjust delivery schedules and quantities as demand for specific print engines changes as a result of changes in product mix and customer demand. Although print engines are available from a variety of sources, most of the Registrant's print engines are supplied by Canon U.S.A., Inc. Consequently, disruption of the Registrant's contracts with this supplier would adversely affect the Registrant during the time required to negotiate new arrangements with a different print engine supplier or suppliers and to bring the new product to market.

RESEARCH AND DEVELOPMENT

The Registrant's research and development program examines new technologies as they relate to current product offerings, develops new and improved applications for the Registrant's products and provides insights into new directions for the Registrant's business.

The Registrant places significant emphasis on the addition of new features for its nonimpact print systems and enhancement of these systems to satisfy new applications. The Registrant solicits and receives continuing advice from its end users and various resellers in identifying appropriate additions. To augment in-house development efforts, the Registrant also contracts with third parties to develop products to its specifications or to license applications and other software. In addition, the Registrant assists certain software design firms in adapting their existing software for use with the Registrant's products.

As of September 30, 1994, approximately 13% of the Registrant's employees were employed in its research and development department. During fiscal 1992, 1993 and 1994, the Registrant spent approximately $16,987,000, $17,810,000 and $15,960,000, respectively, for research and development and software costs and received no customer-sponsored expenditures for research and development. In fiscal years 1992, 1993 and 1994, approximately $6,102,000, $8,803,000 and $7,056,000, respectively, of the software costs for those fiscal years were capitalized in accordance with Financial Accounting Standards (FAS) Statement No. 86.

PATENTS AND TRADEMARKS

The Registrant currently holds United States patents on certain of its products; however, most of the Registrant's revenue is derived from products for which there is no patent protection. Because of rapid technological changes in the computer industry in general and in the electronic printing industry in particular, the Registrant does not believe that patents offer a significant degree of protection for most products and technological advances. The Registrant's strategy for maintaining its competitive position is to continue to emphasize product research and development, coupled with a high level of customer support.

The Registrant has obtained registration of many of its trademarks and currently has applications pending on others in the United States and other countries.

ENVIRONMENTAL MATTERS

Management believes the Registrant is in compliance in all material respects with applicable federal, state and local statutes and ordinances regulating the discharge of materials into the environment. Management does not believe the Registrant will be required to expend any material amounts in order to remain in compliance with these laws and regulations or that compliance will materially affect its capital expenditures, earnings or competitive position.

EMPLOYEES

As of September 30, 1994, the Registrant employed 1,130 permanent employees in the United States. The Registrant has four foreign operating subsidiaries employing an aggregate of 255 permanent employees: QMS Europe B.V., with sales and support organizations in the Netherlands and in offices in Germany, France, the United Kingdom and Sweden, employing a total of 110 permanent employees; QMS Canada, Inc., with sales and support organizations in Ontario, Quebec, British Columbia and Alberta, employing a total of 80 permanent employees; QMS Australia, with sales and support organizations in Melbourne and Sydney, employing a total of 22 permanent employees; and QMS Japan, Inc., with sales and support organizations in Tokyo and Utsunomiya, employing a total of 43 permanent employees.

Management believes that much of its future success depends on its ability to attract and retain skilled personnel. The Registrant has implemented a Cash or Deferred Retirement Plan and maintains stock option plans for officers and key employees.

The Registrant's employees are not subject to collective bargaining agreements and there have been no work stoppages due to labor difficulties. Management of the Registrant believes that its relations with its employees are good.

ITEM 2. PROPERTIES.

The Registrant's headquarters facilities cover an aggregate of 117,000 square feet, of which 50,000 square feet are used for product research and development. The Registrant's primary manufacturing and warehousing facility covers 152,000 square feet. Both of these facilities are located on 20 of the 77 acres owned by the Registrant in Mobile, Alabama. The Registrant rents approximately 40,000 additional square feet of warehousing and office space in the Mobile area.

In Fort Walton Beach, Florida, one of the Registrant's subsidiaries owns and operates a 35,000 square foot facility on ten acres of land. The Registrant and its other subsidiaries lease additional space in United States cities in which the Registrant operates sales and/or service offices, as well as in France, the Netherlands, Sweden, Germany, the United Kingdom, Canada, Australia, and Japan.

In Santa Clara, California, the Registrant has sales, service and engineering operations in a 37,000 square foot leased facility. This facility is occupied under a lease expiring May 31, 1998, with fixed monthly rental payments.

The Registrant's properties are utilized approximately five and one-half days per week, with no significant underutilization of facilities. The Registrant believes that its owned and leased properties are sufficient for its current and foreseeable needs.

ITEM 3. LEGAL PROCEEDINGS.

The Registrant is a defendant in a case styled SHARON L. MCNIDER V. QMS, INC., ET AL. in the Circuit Court of Mobile County, Alabama. The case involves allegations of wrongful conduct by the Registrant and certain officers associated with the plaintiff's fiscal year 1993 incentive compensation plan. An answer has been filed on behalf of the Registrant and the individual defendants denying the allegations of wrongful conduct. The case is currently scheduled for trial before a jury on January 30, 1995. Although the Registrant cannot predict the outcome of a jury trial on this matter, the Registrant does not expect the outcome to have a material impact on the financial condition of the Registrant.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET PLACE AND DIVIDEND INFORMATION

The Company's common stock is listed on the New York Stock Exchange under the ticker symbol "AQM." The table below sets forth the per share quarterly high and low closing prices of QMS common stock for the fiscal years ended September 30, 1994 and October 1, 1993. No cash dividends were declared in either of the last two fiscal years and the Board of Directors has no present intention to pay cash dividends in the foreseeable future.

See Note 6 to the Consolidated Financial Statements regarding restrictions on the payment of dividends. There were 1,794 holders of record of the Company's common stock at November 28, 1994.

Fiscal Quarter	1994 High	1994 Low	1993 High	1993 Low
First	11 3/4	8 5/8	13 1/4	7 1/8
Second	9 7/8	7 7/8	16 5/8	12 1/8
Third	8 1/4	7	17	8 1/4
Fourth	10 3/4	6 7/8	9 7/8	7 3/4

ITEM 6. SELECTED FINANCIAL DATA.

FIVE-YEAR SUMMARY - FINANCIAL AND OTHER DATA

For the fiscal years ended September 30, 1994, October 1, 1993, October 2, 1992, September 27, 1991 and September 28, 1990

Dollars in thousands, except per share amounts	1994	1993	1992	1991	1990
Operating results					
Net sales	$292,688	$297,380	$260,691	$304,266	$276,250
Cost of goods sold	196,538	201,804	168,431	192,182	175,598
Marketing and selling	48,812	48,702	42,816	38,897	34,857
Research and development	8,904	9,018	10,885	9,064	8,449
General and administrative	31,156	39,246	37,983	33,764	30,466
Operating income (loss)	7,278	(1,390)	576	30,359	26,880
Interest income	80	756	468	600	172
Interest expense	(3,235)	(3,342)	(3,037)	(3,768)	(4,555)
Miscellaneous expense	(83)	(946)	(2,384)	(211)	(720)
Income (loss) before income taxes	4,040	(4,922)	4,377	26,980	21,777
Income tax provision (benefit)	1,080	(1,526)	(1,444)	8,903	7,223
Net income (loss)	$ 2,960	$(3,396)	$(2,933)	$ 18,077	$ 14,554
Earnings (loss) per common share					
Primary	$ 0.28	$ (0.31)	$ (0.27)	$ 1.60	$ 1.33
Fully diluted	0.28	(0.31)	(0.27)	1.59	1.33
Weighted average number of shares					

used in computing earnings per share:					
Primary	10,723	10,792	10,994	11,275	10,965
Fully diluted	10,761	10,821	10,994	11,386	10,965
Balance sheet					
Total assets	$182,023	$170,217	$168,007	$170,226	$168,885
Net working capital	79,390	78,359	73,961	80,907	88,627
Long-term debt obligation	35,687	41,527	31,424	21,780	43,828
Stockholders' equity	89,002	85,729	89,419	97,688	77,727
Other data					
Current ratio	2.44	2.82	2.59	2.66	3.05
Gross profit margin	32.9%	32.1%	35.4%	36.8%	36.4%
Net profit (loss) margin	1.0%	(1.1)%	(1.1)%	5.9%	5.3%
Return on average stockholders' equity	3.3%	(3.9)%	(3.1)%	20.6%	20.1%
Year-end employment	1,382	1,425	1,584	1,538	1,378

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Fiscal Years 1994, 1993 and 1992 Compared
GENERAL

Fiscal 1994 resulted in a return to profitability that can primarily be attributed to operating expense reduction and containment. The Company reduced its worldwide work force by about 200 people (approximately 12%) in September 1993. This reduction, along with other cost saving measures, reduced the Company's ongoing operating expense run-rate by about 10%. A one-time charge was recorded in the fourth quarter of fiscal 1993, primarily due to the work force reduction. After the reduction, the Company was able to contain operating expenses at $88.9 million for fiscal 1994, compared to nearly $97 million in fiscal 1993 including the charge referred to above and approximately $94 million excluding the charge. In identifying the cost reduction initiatives, the Company was careful not to reduce areas below a critical mass and also to ensure that product development and customer service areas were still able to meet customer expectations. During fiscal 1994, the Company introduced five new print systems, significantly improved networking capability for the entire line of print system products and restructured to an improved customer service focus.

RESULTS OF OPERATIONS

The following table displays, for the periods indicated, the percentage of net sales represented by certain items in the Consolidated Statements of Operations:

	1994	1993*	1992
NET SALES	100.0%	100.0%	100.0%
COST OF SALES	67.1%	67.9%	64.6%
GROSS PROFIT	32.9%	32.1%	35.4%
OPERATING EXPENSES	30.4%	32.6%	35.2%
OPERATING INCOME (LOSS)	2.5%	(0.5)%	0.2%
OTHER EXPENSE	1.1%	1.2%	1.9%
PRETAX INCOME (LOSS)	1.4%	(1.7)%	(1.7)%
TAX PROVISION (BENEFIT)	0.4%	(0.5)%	(0.5)%
NET INCOME (LOSS)	1.0%	(1.2)%	(1.2)%

*1993 results include a one-time charge taken in Q4.

NET SALES

TABLE 1: NET SALES COMPARISONS FOR KEY CHANNELS

	NET SALES			YEAR-TO-YEAR INCREASES/(DECREASES)	
(IN THOUSANDS)	1994	1993	1992	1994	1993
U.S. DIRECT	$114,228	$93,556	$109,779	$20,672	($16,223)
U.S. RESELLER	33,374	64,334	34,970	(30,960)	29,364
QMS EUROPE	78,572	81,409	66,200	(2,837)	15,209
QMS JAPAN	31,743	18,466	6,392	13,277	12,074
QMS CANADA	18,187	18,974	20,851	(787)	(1,877)
QMS AUSTRALIA	7,437	8,932	5,010	(1,495)	3,922
QMS CIRCUITS	3,438	3,625	3,751	(187)	(126)
ALL OTHER	5,709	8,084	13,738	(2,375)	(5,654)
TOTAL	$292,688	$297,380	$260,691	($4,692)	$36,689

The U.S. direct sales and service channel sells the higher end of the Company's product offerings and consumables to major corporate accounts and supports those sales with nationwide service capability. Generally, product gross margins and the cost of distribution are higher in this channel than in the reseller channel. During fiscal 1994, the U.S. direct sales and service channel operations resulted in a net sales increase of $20.7 million (22%) compared to fiscal 1993 after having declined by $16.2 million (15%) in fiscal 1993 compared to fiscal 1992. The Company plans to continue to develop new products for the direct sales and service organizations and believes that one fundamental key to success is increasing sales of the higher end products such as the QMS(R)3825, which was introduced into this channel late in fiscal 1994.

The U.S. reseller channel is responsible for attracting and qualifying resellers of the lower end of the Company's product line. Generally, gross margins and distribution costs are lower in this channel than in the direct channel. The U.S. reseller channel experienced a net sales decline in fiscal 1994 of nearly $31 million (48%) when compared to fiscal 1993, after having achieved a net sales increase of over $29 million (84%) in fiscal 1993 compared to fiscal 1992. Fiscal 1993 was positively impacted by exceptional sales of the QMS(R) 860 print system, which was introduced near the end of fiscal 1992. During fiscal 1994, the U.S. reseller channel product mix was under extreme competitive pressure which resulted in lower sales volume and price declines compared to fiscal 1993. Two new products, the QMS(R)1060 and the QMS(R)1660 print systems, which were introduced into the channel late in fiscal 1994, should have a positive impact for the channel in fiscal 1995. This channel is important to the Company as it provides a higher volume distribution than the direct channel, yielding a level of name recognition in addition to absorbing fixed operations costs and providing reasonable profitability.

QMS Europe B.V., a wholly owned subsidiary headquartered in the Netherlands, sells the entire line of the Company's print system products primarily to an established network of distributors throughout western Europe, the Middle East and Africa, and provides support and consumables after the sale. QMS Europe sales declined slightly in fiscal 1994 compared to fiscal 1993, after having increased by $15.2 million (23%) in fiscal 1993 compared to fiscal 1992. The European operations are an integral, well-established segment of the Company's business.

QMS Japan, Inc., a wholly owned subsidiary headquartered in Tokyo, has consistently provided exceptional growth. QMS Japan sells primarily the lower end of the Company's product offerings to distributors in Japan and Southeast Asia ("SEA"). QMS Japan began management of the SEA portion of the Company's business during fiscal 1994, when the Company closed its Hong Kong office. The Company has made a significant development commitment to the special language requirements for the Japanese market. During fiscal 1994, QMS Japan achieved a net sales increase of $13.3 million (72%) compared to fiscal 1993 after having increased net sales by $12.1 million (189%) in fiscal 1993 compared to fiscal 1992. While continued sales growth can reasonably be expected, the business environment for the Company's products in Japan has become more competitive, which could result in lower rates of growth in the future.

QMS Canada, Inc., a wholly owned subsidiary headquartered in Montreal, sells the entire line of products, including service and accessories, directly to end users and also through resellers, as does QMS Australia, Ltd., a wholly owned subsidiary headquartered in Melbourne. These two entities have experienced essentially flat net sales during the years of comparison. The Company has awarded exclusive distribution rights to a third party distribution company in New Zealand. Accordingly, the Company dissolved its QMS New Zealand entity in fiscal 1994 without material adverse impact. QMS Circuits, Inc., a wholly owned subsidiary based in Fort Walton Beach, Florida, manufactures and markets printed circuit boards for the Company and for third-party sales. During fiscal 1994, 1993 and 1992, the Company also sold Magnum(R) controller boards, board level products to original equipment manufacturers and printer products into Latin America.

GROSS PROFIT

Gross profit dollars increased slightly in fiscal 1994 despite the fact that sales were lower than in fiscal 1993. Gross profit as a percentage of sales improved to 32.9% in fiscal 1994 from 32.1% in fiscal 1993. The gross profit percentage improvement reflects a higher percentage of total sales being generated through the U.S. direct channel where the higher end of the Company's product offering is sold directly to end users.

OPERATING EXPENSE

During fiscal 1994, operating expenses were contained at $88.9 million, a decrease of $8.1 million compared to fiscal 1993 and $2.8 million compared to fiscal 1992. Fiscal 1993 operating expenses included a one-time charge of approximately $3 million as a result of reducing the Company's work force by about 12% and the consolidation of several of the Company's leased facilities around the world. Excluding the one-time charge, operating expenses were $94 million in fiscal 1993, a 2.5% increase over fiscal 1992. As a percentage of sales (excluding the 1993 one-time charge), operating expenses were 30.4%, 31.6% and 35.2% in fiscal 1994, 1993 and 1992, respectively. The Company continues to make a concerted effort to contain operating expenses.

In fiscal 1994, research and development expenses were essentially the same as in fiscal 1993 after having decreased in fiscal 1993 by approximately 17% compared to fiscal 1992. Capitalized software costs amounted to $7.1 million, $8.8 million and $6.1 million for fiscal 1994, 1993 and 1992, respectively. Total research and development spending, including amounts capitalized, was $16.0 million in fiscal 1994, $17.8 million in fiscal 1993 and $17.0 million in fiscal 1992. Management believes that continued investment in product research and development is critical to the Company's future growth and competitive position in the marketplace, and is directly related to continued, timely development of new and enhanced products.

OTHER INCOME (EXPENSE)

Net interest was essentially the same in fiscal 1994, 1993 and 1992. Other income in fiscal 1994 included net foreign currency transaction gains of $290,000. The Company did not enter into foreign currency hedging contracts.

In fiscal 1993 and 1992, the Company entered into foreign exchange contracts against forecasted European sales in local currencies to minimize, or offset, the risk of exchange rate fluctuations. In fiscal 1993, net foreign currency gains were $343,362, compared to 1992 net losses of $1,366,737.

INCOME TAX

In fiscal 1994, a provision of 26.7% of pretax income was recognized. An income tax benefit was recognized in fiscal 1993 and fiscal 1992 of 31% and 33% of pretax loss, respectively. Effective October 3, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The adoption of this standard had no material impact on the consolidated financial statements for fiscal 1993.

Recent audits by tax authorities in Japan, the Netherlands, Canada and the U.S. were all resolved with no adverse tax consequences. Fiscal years 1993 and forward are still subject to review.

FACTORS WHICH MAY AFFECT FUTURE RESULTS

A number of uncertainties may affect the Company's future operating results, including: the financial condition and stability of major resellers that market the Company's products, the Company's ability to manufacture products in sufficient quantity to meet demand, the availability and cost of certain components, and the Company's ability to develop new products in a timely, cost-effective manner and increasingly competitive pressures in the Company's markets.

The Company's sales strategy includes significant dependence on third-party resellers for the Company's products. The Company believes that the selection process for these resellers is adequate in establishing creditworthiness and in determining the resellers' ability to provide capacity to meet growth expectations; however, if significant members of the reseller group in the United States, Europe or Japan were to experience major financial difficulties, the Company's operating results could be adversely impacted.

The Company contracts with third-party manufacturers to provide capacity for high volume products. The Company has the capability of increasing internal manufacturing to a certain degree and generally does not depend on a sole source for external manufacturing, but operating results could be adversely impacted if a major external supplier were unable to meet the Company's demand for products.

The Company's products include components, primarily microprocessors and dynamic random-access memory devices, that from time to time are sensitive to market conditions that result in limited availability and/or extreme price fluctuations. An interruption in the supply line or significant changes in price for these components could have an adverse effect on the Company's operating results. The Company purchases significant quantities of print engine mechanisms from Japanese suppliers. An appreciation of the value of the yen to the dollar results in higher prices, which can be mitigated through yen-sharing arrangements with suppliers, foreign exchange contracts and price negotiations; however, severe price increases could develop which would adversely affect operating results.

Because the Company competes in an industry of rapid technological advance, it is important that the Company be able to develop new products in a timely, cost-effective manner. The Company has invested significantly in its Crown advanced document processing technology which, in addition to providing significantly improved functionality, is intended to reduce the time it takes to develop products. New product introduction delays could, however, have an adverse impact on operating results.

These factors, including increasingly competitive pressures in the Company's markets, along with others that may affect operating results, mean that past financial performance may not be a reliable indicator of future performance. Investors should not use historical trends to anticipate results or trends in future periods. In addition, the Company participates in a highly dynamic industry, which can result in significant volatility of the Company's common stock price.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $5.0 million at September 30, 1994, compared to $3.6 million and $8.1 million at the end of the two previous years. The cash flow from operations was $23.2 million for fiscal 1994 up from $3.1 million in fiscal 1993 and $18.0 million in fiscal 1992. The Company's financing for fiscal 1994 came principally from an increase in cash flow from operations, capital leases and a secured revolving credit agreement. During fiscal 1993 and 1992, the Company's financing came principally from borrowings under a secured revolving credit agreement.

The Company's working capital was $79.4 million in fiscal 1994, up from $78.4 million in fiscal 1993 and $74.0 million in fiscal 1992. During fiscal 1994, the Company reduced its total long-term debt levels to $34.3 million, down from $40.6 million in fiscal 1993. Bank borrowings under the Company's secured revolving credit agreement were reduced to $23.2 million at the end of fiscal 1994 compared to $25.5 million at the end of fiscal 1993. The total borrowing capacity under the secured revolving credit agreement is $30.0 million. During fiscal 1993, the Company obtained a supplemental line of credit to the secured revolving credit agreement, increasing its borrowing capacity to $37.5 million. As a result of increasing cash flows from operations in fiscal 1994, the supplemental line of credit was not renewed.

At September 30, 1994, the Company was not in compliance with certain covenants in its credit agreement. The Company requested and received a waiver of non-compliance from its lenders. One member of the three-member bank group has expressed a desire to exit the credit agreement. The Company is currently negotiating to secure a replacement bank before the end of January 1995. See Note 6 of the Notes to the Company's Consolidated Financial Statements.

Management believes that the Company's working capital and capital expenditure needs will be met by cash flow from operations and by the secured revolving credit agreement.

INFLATION

Inflationary factors have not had a significant effect on the Company's operations in the past three years. A significant increase in inflation would adversely affect the Company's operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the fiscal years ended September 30, 1994, October 1, 1993 and October 2, 1992

Dollars in thousands, except per share amounts	1994	1993	1992
Net sales	$ 292,688	$ 297,380	$ 260,691
Cost of goods sold	196,538	201,804	168,431
Gross profit	96,150	95,576	92,260
Operating expenses			
Marketing and selling	48,812	48,702	42,816
Research and development	8,904	9,018	10,885
General and administrative	31,156	39,246	37,983
Total	88,872	96,966	91,684
Operating income (loss)	7,278	(1,390)	576
Other income (expense)			
Interest income	80	756	468
Interest expense	(3,235)	(3,342)	(3,037)
Miscellaneous expense	(83)	(946)	(2,384)
Total	(3,238)	(3,532)	(4,953)
Income (loss) before income taxes	4,040	(4,922)	(4,377)
Income tax provision (benefit)	1,080	(1,526)	(1,444)
Net income (loss)	$ 2,960	$ (3,396)	$ (2,933)
Earnings (loss) per common share			
Primary	$ 0.28	$ (0.31)	$ (0.27)
Fully diluted	$ 0.28	$ (0.31)	$ (0.27)
Weighted average number of shares used in computing earnings (loss) per common share			
Primary	10,723	10,792	10,994

Fully diluted	10,761	10,821	10,994

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the fiscal years ended October 2, 1992,
October 1, 1993 and September 30, 1994

Dollars in thousands	Common Stock Shares Issued	Common Stock Amt	Add'l Paid-In Capital	Retained Earnings	Number of Shares	Amt	Foreign Currency Trans-lation
Balance September 27, 1991	11,832,806	$118	$39,754	$66,270	728,910	$(8,008)	$(446)
Stock Options exercised			103		(134,223)	1,115	
Purchase of treasury shares					557,500	(6,343)	
Translation adjustment							(211)
Net loss				(2,933)			
	----------	----	-------	-------	---------	-------	------
Balance October 2, 1992	11,832,806	118	39,857	63,337	1,152,187	(13,236)	(657)
Stock Options exercised			132		(55,394)	423	
Purchase of treasury shares					30,500	(306)	
Translation adjustment							(543)
Net loss				(3,396)			
	----------	----	-------	-------	---------	-------	------
Balance October 1, 1993	11,832,806	118	39,989	59,941	1,127,293	(13,119)	(1,200)
Stock Options exercised			1		(8,602)	66	
Purchase of treasury shares					40,700	(287)	

Translation adjustment							533
Net income				2,960			
Balance September 30, 1994	11,832,806	$118	$39,990	$62,901	1,159,391	$(13,340)	$(667)

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At September 30, 1994
and October 1, 1993

Dollars in thousands	1994	1993
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,956	$ 3,582
Trade receivables (less allowance for doubtful accounts of $504 in 1994 and $580 in 1993)	51,462	39,471
Inventories, net	69,770	70,461
Other current assets	8,335	7,806
Total current assets	134,523	121,320
Property, plant and equipment, net	30,826	32,666
Other assets, net	16,674	16,231
Total	$ 182,023	$170,217
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 20,791	$ 11,060
Income taxes payable	641	0
Current maturities of long-term debt and capital lease obligations	5,099	4,753
Other current liabilities	28,602	27,148
Total current liabilities	55,133	42,961
Long-term debt	34,340	40,648
Capital lease obligations	1,347	879
Deferred income taxes	2,201	0

Total liabilities	93,021	84,488
	======	======
Stockholders' equity		
Preferred stock-authorized, 500,000 shares of no par value, none issued		
Common stock-authorized, 50,000,000 shares of $.01 par value; issued, 11,832,806 shares in 1994 and 11,832,806 in 1993	118	118
Additional paid-in capital	39,990	39,989
Retained earnings	62,901	59,941
Treasury stock, at cost	(13,340)	(13,119)
Foreign currency translation	(667)	(1,200)
	------	------
Total stockholders' equity	89,002	85,729
	------	------
Total	$ 182,023	$170,217
	======	======

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended September 30, 1994, October 1, 1993 and October 2, 1992

Dollars in thousands	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 2,960	$(3,396)	$(2,933)
Adjustments to reconcile net income (loss)to net cash provided by operating activities:			
Depreciation of property, plant and equipment	9,496	9,106	7,963
Amortization of capitalized and deferred software and other	8,147	7,540	5,899
Loss on disposal of property, plant and equipment	161	21	520
Provision for losses on accounts receivable	228	326	575
Provision for losses on inventory	5,388	8,923	5,357
Foreign currency transaction gain (loss)	(165)	536	(121)
Changes in assets and liabilities which provided (used) cash:			
Trade receivables	(11,301)	3,653	12,590
Inventories	(4,381)	(17,881)	(7,197)
Other current assets	(1,409)	(1,008)	702
Other assets	373	(985)	(820)
Accounts payable	9,725	(3,621)	(255)

Income taxes payable	805	(2,759)	(4,589)
Other current liabilities	935	3,185	1,775
Deferred income taxes	2,201	(525)	(1,441)
Total adjustments	20,203	6,511	20,958
Net cash provided by operating activities	23,163	3,115	18,025
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(6,115)	(8,188)	(13,309)
Additions to capitalized software costs	(7,056)	(8,803)	(6,102)
Additons to deferred software costs	(836)	(1,189)	(257)
Proceeds from disposal of property, plant and equipment	198	254	33
Proceeds from sale of short-term investments	0	0	3,801
Net cash used in investing activities	(13,809)	(17,926)	(15,834)
Cash flows from financing activities:			
Proceeds from long-term debt	0	21,000	14,500
Payments of long-term debt, including current maturities	(6,195)	(9,483)	(4,421)
Payments of capital lease obligation, including current maturities	(1,004)	(1,036)	(1,165)
Proceeds from stock options exercised	67	555	1,218
Purchase of treasury stock	(287)	(306)	(6,343)
Net cash provided by (used in) financing activities	(7,419)	10,730	3,789
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(561)	(423)	233
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,374	(4,504)	6,213
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,582	8,086	1,873
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,956	$ 3,582	$ 8,086

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION - The accompanying consolidated financial statements include the accounts of QMS, Inc. and its wholly owned subsidiaries. All material intercompany items have been eliminated.

FISCAL YEAR - The Company's fiscal year ends on the Friday closest to September 30. Fiscal 1994 and 1993 included 52 weeks as compared to 53 weeks in fiscal 1992.

CASH EQUIVALENTS - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVENTORIES - Inventories are stated at the lower of cost or market. Cost, which includes materials, labor and production and material overhead, is determined on the first-in, first-out basis. Market is based on replacement cost or net realizable value, as appropriate.

PROPERTY, PLANT AND EQUIPMENT - Expenditures for property, plant and equipment; major renewals; and betterments are capitalized at cost. Certain assets are financed under lease contracts which have been capitalized. Aggregate lease payments, discounted at appropriate rates, have been recorded as long-term debt, the related leased assets have been capitalized, and the amortization of such assets is included in depreciation expense.

Expenditures for maintenance, repairs and minor renewals are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the statement of operations.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets or the lease term, whichever is shorter.

REVENUE RECOGNITION - Sales are recorded upon shipments of products to customers.

DEFERRED SERVICE REVENUES - Amounts billed for service contracts are credited to deferred service revenue and reflected in revenues over the terms of the contracts, which range from one to three years.

DEFERRED SOFTWARE COSTS - Purchased computer software costs are amortized based on current and future revenue for each product with an annual minimum amortization equal to straight-line amortization over the remaining estimated economic life of the product.

CAPITALIZED SOFTWARE COSTS - The Company capitalizes the qualifying costs of developing proprietary software included in its products. Capitalization of costs requires that technological feasibility has been established. Upon completion of projects, amortization is determined based on the larger of the amounts computed using (a) the ratio that current gross revenue for each product bears to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product.

Capitalized software costs for fiscal 1994, 1993 and 1992 totaled $7,056,000, $8,803,000 and $6,102,000, respectively. For fiscal 1994, 1993 and 1992, $7,345,000, $6,835,000, and $5,039,000, respectively, were charged as amortization expense on completed projects, and included in cost of goods sold. For fiscal 1993, amortization included net realizable value adjustments of $86,850. The amortization for fiscal 1994 and 1992 includes no net realizable value adjustment.

RESEARCH AND DEVELOPMENT - The Company expenses research and development costs, including expenditures related to development of the Company's software products that do not qualify for capitalization.

INCOME TAX - In February 1992, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which was adopted by the Company, effective October 3, 1992. The adoption of this Standard had no material effect on the Company's fiscal 1993 operations. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. (See Note 12.) Prior year financial statements have not been restated to apply the provisions of the statement. Prior to fiscal 1993, income taxes were accounted for under Accounting Principles Board Opinion No. 11 "Accounting for Income Taxes."

EARNINGS PER COMMON SHARE - Earnings per common share are computed based on the weighted average number of common and common equivalent shares outstanding, as appropriate. Common equivalent shares result from the assumed exercise of outstanding stock options that have a dilutive effect when applying the treasury stock method.

FOREIGN CURRENCY TRANSLATION - The Company's subsidiary in Europe transacts a significant amount of business in U.S. dollars. Accordingly, the U.S. dollar is deemed to be the functional currency of this subsidiary, and all foreign currency gains and losses are included in income currently.

The financial position and results of operations of the Company's other foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of such subsidiaries are translated using current exchange rates. Revenues and expenses of such subsidiaries have been translated at rates approximating the actual rates on the dates of the transactions. Translation adjustments are included as a separate component of shareholders' equity. Foreign currency transaction gains were $290,000 in fiscal 1994 and $634,007 in fiscal 1992. Foreign currency transaction losses were $1,408,533 in fiscal 1993.

FOREIGN EXCHANGE CONTRACTS - Foreign exchange contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. Gains and losses associated with currency rate exchanges on foreign exchange contracts are recorded currently in income unless the contract hedges a firm commitment, in which case any gains and losses are deferred and included as a component of the related transaction.

In fiscal 1993 and 1992, the Company entered into foreign exchange contracts against forecasted European sales in local currencies to minimize, or offset, the risk of exchange rate fluctuations. All related gains and losses are included in other income (expense). Also, the Company entered into yen call options as a hedge against possible exchange rate fluctuation on the purchase of print engines. These contracts are hedges of firm commitments; the net gains or losses are included as a component of cost of goods sold. In fiscal 1994, the Company did not enter into any foreign exchange contracts.

RECLASSIFICATIONS - Certain reclassifications have been made to fiscal 1993 and 1992 amounts to conform to the fiscal 1994 presentation.

NOTE 2 INVENTORIES

Inventories at September 30, 1994 and October 1, 1993 are summarized as follows (in thousands):

	1994	1993
Raw materials	$ 24,003	$ 26,104
Work in process	5,842	4,052
Finished goods	46,733	46,609
Inventory reserve	(6,808)	(6,304)
	$ 69,770	$ 70,461

Inventory reserves are calculated based on specific identification of items that are potentially excess or obsolete. Reserves are also recorded on a routine basis due to rapid obsolescence of certain inventory items.

NOTE 3 OTHER ASSETS

Other assets at September 30, 1994 and October 1, 1993 are summarized as follows (in thousands):

	1994	1993
Capitalized software costs, net	$ 12,982	$ 13,357
Deferred software costs, net	977	702
Other	2,715	2,172

	$ 16,674	$ 16,231

Accumulated amortization of capitalized software cost amounted to $16,509,000 and $14,838,000 at September 30, 1994 and October 1, 1993, respectively. Accumulated amortization of deferred software cost amounted to $1,987,000 and $1,417,000 at September 30, 1994 and October 1, 1993, respectively.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at September 30, 1994 and October 1, 1993 are summarized as follows (in thousands):

	1994	1993
Land	$ 1,408	$ 1,408
Buildings and improvements	20,682	20,246
Machinery and equipment	42,365	37,622
Office furniture and equipment	8,425	7,164
	72,880	66,440
Less accumulated depreciation	42,054	33,774
	$ 30,826	$ 32,666

NOTE 5 OTHER CURRENT LIABILITIES

Other current liabilities at September 30, 1994 and October 1, 1993 are summarized as follows (in thousands):

	1994	1993
Employment costs	$ 8,670	$ 7,442
Deferred service revenue	11,374	9,065
Accrued royalties	1,061	1,348
Accrued warranty	825	779
Accrued interest	371	422
Sales and use tax payable	1,688	1,078
Other	4,613	7,014
	$ 28,602	$ 27,148

NOTE 6 LONG-TERM DEBT

Long-term debt at September 30, 1994 and October 1, 1993 is summarized as follows (in thousands):

	1994	1993
Indebtedness to banks under secured revolving credit agreements (8.50% at September 30, 1994)	$ 23,200	$ 25,500
10.13% senior unsecured notes payable in equal semi-annual installments of $1,052,632 plus interest through 1998	7,368	9,474
6.15% senior secured notes payable in monthly installments of $194,026 including interest through 1998	7,780	9,569
	38,348	44,543
Less current portion of long-term debt	4,008	3,895
	$ 34,340	$ 40,648

Long-term debt outstanding at September 30, 1994 matures as follows: $27,208,000 in fiscal 1995, $4,128,000 in fiscal 1996, $4,256,000 in fiscal 1997, $2,756,000 in fiscal 1998 and $0 thereafter.

The Amended and Restated Secured Revolving Credit Agreement, dated October 2, 1992, is with a group of banks. The total borrowing capacity under the agreement is $30,000,000. The agreement expires in January 1996 and will be reviewed in January 1995 for possible extension to January 1997. The agreement has a stated rate of interest on outstanding borrowings of the lesser of the lead bank's prime rate plus 3/4 of 1 percent or the maximum rate, which is the highest nonusurious rate of interest permitted by law. The agreement provides that the rate may be reduced as low as the lead bank's prime rate if certain performance tests are met. The average rate paid in fiscal 1994 was 7.37%. The Company is required to pay a commitment fee of 1/4 of 1 percent per annum on the average daily unborrowed amounts.

The secured revolving credit agreement is secured by the Company's domestic accounts receivable and inventory. The senior secured notes are secured by a first priority lien on portions of the Company's land and buildings located in Mobile, Alabama.

The convenants for both senior note agreements and the secured revolving credit agreement place certain restrictions on the Company and its subsidiaries as to disposal of subsidiaries, sale of assets, working capital, other indebtedness, payments of dividends and guaranties. Among other things, the Company and its subsidiaries must maintain a 2:1 working capital ratio, and $38,450,500 of retained earnings at September 30, 1994 were restricted as to the payment of dividends.

At September 30, 1994, the Company was not in compliance with certain covenants contained in its credit agreements. The Company has requested and received a waiver of non-compliance from the lenders. One member of the three-member bank group has expressed a desire to exit the credit agreement. The Company is currently negotiating to secure a replacement bank before the end of January 1995. In an agreement reached December 9, 1994, the Company and the lenders agreed to add and modify certain covenants, such as the addition of minimum net income requirements and a future reduction in borrowings available from inventory. Management believes the revised borrowing base will yield sufficient borrowing capacity.

Following is the Company's disclosure in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments." The fair value of the Company's long-term debt is estimated based on the quoted prices for the same or similar issues. The fair value, as of September 30, 1994 and October 1, 1993, has been estimated as follows (in thousands):

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Secured revolving credit facility	$23,200	$23,200	$ 25,500	$25,500
10.13% senior unsecured notes	7,368	7,627	9,476	10,253
6.15% senior secured notes	7,780	7,524	9,569	9,569

NOTE 7 LEASES

The Company has capital leases that expire through fiscal 1999. The Company is obligated under operating leases for certain sales and service offices expiring through fiscal 2003. Future minimum lease payments under capital and operating leases with noncancelable terms in excess of one year as of September 30, 1994 were as follows (in thousands):

Fiscal Year	Capital Lease Obligations	Operating Leases
1995	$ 1,247	$ 4,796
1996	792	4,031
1997	596	1,906
1998	69	974
1999	1	520
Thereafter	0	1,342
	------	------
Total minimum payments	$ 2,705	$ 13,569
		=======
Less amounts representing interest	267	

Present value of minimum payments	2,438	
Less current maturities under		

capital lease obligations	1,091
	$ 1,347

Rent expense under operating leases for fiscal 1994, 1993 and 1992 was $7,233,000, $7,120,000 and $5,711,000, respectively.

Assets recorded under capital leases (included in property, plant and equipment in the accompanying consolidated balance sheets) at September 30, 1994 and October 1, 1993 are summarized as follows (in thousands):

	1994	1993
Machinery and equipment	$ 3,835	$ 2,786
Office furniture and equipment	1,920	1,383
	5,755	4,169
Less accumulated depreciation	3,330	2,622
	$ 2,425	$ 1,547

NOTE 8 EMPLOYEE BENEFIT PLANS

The Company has a Cash or Deferred Retirement Plan which covers substantially all employees and is a qualified plan under Section 401(k) of the Internal Revenue Code. Employees may make a pretax contribution of up to 10% of their annual salaries and are provided investment choices from among a Retirement Preservation Trust, a Corporate Bond Fund, a Capital Fund, a Basic Value Fund and a Company Stock Fund. The Company matches employee contributions at varying rates up to a maximum of 3.5% of annual salary, and Company contributions are made on an annual basis. Employees are fully vested on the date of the Company contribution. The plan is a calendar year plan. In fiscal 1994, 1993 and 1992 the Company contributed $1,046,137, $1,029,391 and $914,461 to the plan, respectively.

NOTE 9 STOCK OPTION PLANS

The Company's stock option plans allow incentive or non-qualified stock options to be granted to key employees and directors providing the right, when exercisable, to purchase up to an aggregate of 1,905,238 shares of the Company's common stock. In the case of incentive stock options, the option price is not less than the fair market value at date of grant. A non-qualified optionee may receive the right to receive cash upon the exercise of a non-qualified option in an amount intended to approximate 100% of the amount of the federal, state and local income tax payable by that optionee due to the optionee's exercise of the option and the Company's payment to the optionee of a bonus to pay that income tax liability.

For employees with less than one year of service with the Company, one-fourth of the granted options may be exercised one year after the date of grant, with an additional one-fourth exercisable each year thereafter, although other exercise provisions are allowed. For employees with greater than one year of service, one-fifth of the granted options may be exercised on the date of grant, with an additional one-fifth exercisable each year thereafter, although other exercise provisions are allowed. Options that expire or are canceled prior to exercise are restored to the shares available for future grants. At September 30, 1994, the Company had reserved 699,687 shares for the future grant of options under these plans.

The Company's stock option plans also provide that, in the event of a change of control (as defined in each of the plans), all options then outstanding would become exercisable immediately either in full or in part.

Under the Company's 1987 plan, no more than 500,000 shares may be issued to directors, whether or not they are also key employees. Stock options under the plan expire not later than ten years from the date of grant.

The Company's 1984 plan expired during fiscal 1994, and no additional options can be granted under the plan. Outstanding stock options under the plan were not affected by the plan's expiration.

During fiscal 1994, the Company adopted the Stock Option Plan for Directors whereby non-employee directors receive non-qualified stock option grants annually and may make an irrevocable election annually to receive stock options at a below-market exercise price in lieu of cash directors' fees.

A summary of stock option activity is as follows:

	Number of Shares	Per Share	Total
Outstanding,			
September 27, 1991	1,033,075	$4.62 to $ 23.38	$ 13,179,638
Granted	317,650	7.38 to 24.12	4,504,938
Exercised	(134,223)	4.62 to 17.88	(1,216,131)
Terminated	(115,178)	4.62 to 23.38	(1,308,350)
	==========		==========

	Number of Shares	Per Share	Total
Outstanding,			
October 2, 1992	1,101,324	4.62 to 24.12	15,160,095
Granted	269,550	8.50 to 16.25	2,719,100
Exercised	(55,394)	4.62 to 15.00	(554,920)
Terminated	(197,710)	6.62 to 22.38	(3,218,562)
	==========		==========

Number Per

	of Shares	Share	Total
Outstanding,			
October 1, 1993	1,117,770	6.75 to 24.12	14,105,713
GRANTED	238,571	4.38 to 10.50	2,011,273
EXERCISED	(8,602)	7.50 to 14.00	(66,848)
TERMINATED	(142,188)	7.50 to 24.12	(1,762,637)
	==========		==========
Outstanding,			
September 30, 1994	1,205,551	$4.38 to $ 24.12	$ 14,287,501
	==========		==========
Exercisable,			
September 30, 1994	619,810		
	==========		

NOTE 10 SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENTS

In fiscal 1992, the Company entered into separate agreements with three officers of the Company, under which each officer is entitled to a monthly benefit upon either the officer's leaving the Company's employment, retirement or departure following a change in control of the Company, to be paid over a ten-year benefit period. In fiscal 1994, 1993 and 1992, the Company expensed $291,806, $441,938 and $517,236, respectively, related to these benefits.

NOTE 11 STOCKHOLDER RIGHTS PLAN

In November 1988, the Company adopted a Stockholder Rights Plan and pursuant to the plan declared a dividend on its common stock of one right (a "Right") for each share of common stock then outstanding and for each share of common stock issued thereafter and prior to the time the Rights expire or become exercisable. Upon the occurrence of certain events, each Right becomes exercisable to purchase one one-hundredth of a share of Series A Participating Preferred Stock at a price of $40. The Rights expire on November 30, 1998 and, prior to the occurrence of certain events, may be redeemed at a price of $.01 per Right. Of the Company's 500,000 authorized shares of preferred stock, no par value, the Board of Directors has designated 250,000 shares as Series A Participating Preferred Stock.

NOTE 12 INCOME TAXES

The components of income (loss) before income taxes and the provision (benefit) for income taxes (both domestic and foreign), for fiscal 1994, 1993 and 1992 are summarized as follows (in thousands):

	1994	1993	1992

Income (loss) before income taxes:			
Domestic	$ 6,527	$ (540)	$ (4,497)
Foreign	(2,487)	(4,382)	120
Total	$ 4,040	$ (4,922)	$ (4,377)
Provision (benefit) for income taxes:			
Current:			
Federal	$ 436	$ 169	$ 0
Foreign	452	(2,119)	532
State	439	0	0
	$ 1,327	$ (1,950)	$ 532
Deferred:			
Federal	$ 0	$ 0	$ (1,974)
Foreign	(247)	424	190
State	0	0	(192)
	(247)	424	(1,976)
Total	$ 1,080	$ (1,526)	$ (1,444)

At September 30, 1994, the Company had domestic operating loss carryovers of approximately $4,200,000 which will expire in fiscal 2007, and general business credit carryovers of approximately $1,700,000 which will expire during fiscal 2002 through 2007. Foreign tax credit carryforwards of approximately $1,600,000 existed at September 30, 1994 and will expire in fiscal 1996 through 1998.

The Company has not recorded deferred income taxes applicable to earnings that are indefinitely reinvested in foreign operations. Undistributed earnings expected to be indefinitely reinvested totaled approximately $4,542,000 at September 30, 1994. Determinations of the amount of domestic taxes which would be payable if such foreign earnings are remitted is not practicable.

During fiscal 1994, the Company settled outstanding issues with tax authorities in Japan, the Netherlands, Canada and the U.S. without adverse results.

A reconciliation of the statutory federal income tax rate to the effective rate for fiscal 1994, 1993 and 1992 is as follows (in thousands):

	1994	1993	1992
Tax at federal statutory rate	$ 1,415	$(1,723)	$(1,488)
State income taxes, net of			

federal benefit	283		(127)
Research and development credit, net			(165)
Utilization of carryovers	(1,465)		
Foreign sales corporation benefit	(423)	(221)	0
Tax effect of international operations, net	1,075	(161)	681
Other, net	195	579	(345)
Total	$ 1,080	$(1,526)	$(1,444)

Deferred tax assets and liabilities that arise as a result of temporary differences at September 30, 1994 and October 1, 1993 are summarized as follows (in thousands):

	1994	1993
Deferred tax assets:		
Inventory reserves	$ 2,085	$ 1,040
Restructuring reserves	0	757
Vacation accrual	357	254
General business credits carryforwards	1,742	1,624
Net operating loss carryforwards	1,575	3,031
Other reserves	549	801
Deferred income	747	97
AMT credit carryover	191	194
Contribution carryover	0	77
Deferred compensation	275	313
Other	272	2
Total gross deferred tax assets	7,793	8,190
Deferred tax asset valuation allowance	(1,075)	(1,269)
Total deferred tax asset	6,718	6,921
Deferred tax liabilities:		
Depreciation	(1,190)	(1,618)
Capitalized software costs	(4,842)	(4,982)
Deferred software costs	(341)	(243)
Deferred tooling	(98)	(78)
Total deferred tax liability	(6,471)	(6,921)
Net deferred tax asset	$ 247	$ 0

The valuation allowance was established based on certain assumptions about levels of future pretax income that are consistent with historical results. As the Company had losses in fiscal 1993 and 1992, the deferred tax asset valuation allowance reflects an evaluation which recognizes uncertainties related to the future utilization of certain carryovers. The valuation allowance for deferred tax assets decreased by $194,000 during fiscal 1994.

NOTE 13 BUSINESS SEGMENT AND FOREIGN OPERATIONS

The Company's domestic operations and those of its wholly owned European, Canadian, Australian, New Zealand and Japanese subsidiaries for fiscal 1994, 1993 and 1992 are summarized as follows (in thousands):

	1994	1993	1992
Net sales to unaffiliated customers from:			
United States	$ 157,156	$ 169,853	$ 162,237
Europe	78,572	81,413	66,200
Canada	18,186	18,974	20,850
Australia	7,083	7,601	3,731
New Zealand	1,490	1,331	1,280
Japan	30,201	18,208	6,393
Net transfer between geographic areas	60,984	53,188	41,249
Adjustments and eliminations	(60,984)	(53,188)	(41,249)
Consolidated	$ 292,688	$ 297,380	$ 260,691

Substantially all transfers between geographic areas are sales from the U.S. parent to its foreign subsidiaries.

	1994	1993	1992
Operating income (loss):			
United States	$ 22,056	$ 14,303	$ 11,987
Europe	2,136	1,862	5,204
Canada	(262)	(568)	2,280
Australia	115	614	0
New Zealand	354	2	(151)
Japan	2,012	757	(1,206)
Adjustments and eliminations	(552)	522	684
Consolidated operating profit	25,859	17,492	18,798
General corporate expenses	(18,581)	(18,882)	(18,222)
Interest income	80	756	468
Interest expense	(3,235)	(3,342)	(3,037)
Miscellaneous expense	(83)	(946)	(2,384)
Consolidated income (loss) before income taxes	$ 4,040	$ (4,922)	$ (4,377)

Identifiable assets:			
United States	$ 131,179	$ 127,227	$ 127,194
Europe	23,009	21,360	19,205
Canada	6,711	6,424	6,189
Australia	3,076	2,028	1,270
New Zealand	492	607	726
Japan	13,077	7,143	3,372
Adjustments and eliminations	(2,180)	(1,166)	(1,397)
	175,364	163,623	156,559
Corporate assets	6,659	6,594	11,448
Total assets	$ 182,023	$ 170,217	$ 168,007

The transfers between geographic areas are priced at cost plus a reasonable profit.

A summary of the Company's foreign sales to indicated geographic areas for fiscal 1994, 1993 and 1992 is as follows (in thousands):

	1994	1993	1992
Europe	$ 74,305	$ 76,561	$ 63,594
Canada	18,198	18,992	20,859
Far East & Pacific Rim	39,187	27,390	12,860
Other	6,654	5,839	6,204
Total	$ 138,344	$ 128,782	$ 103,517

U.S. export sales included in the above summary for fiscal 1994, 1993 and 1992 were $2,802,489, $1,298,769 and $5,103,000, respectively.

No customer accounted for 10% or more of consolidated net sales for fiscal 1994, 1993 and 1992.

NOTE 14 SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes for fiscal 1994, 1993 and 1992 is as follows (in thousands):

	1994	1993	1992
Interest	$ 3,235	$ 3,143	$ 2,726
Income taxes	1,193	5,033	5,940

Additions to capital lease assets and related obligations were $1,705,000, $41,000 and $761,000 in fiscal 1994, 1993 and 1992, respectively, as a result of the Company entering into equipment leases.

NOTE 15 COMMITMENTS AND CONTINGENCIES

At September 30, 1994, the Company had a commitment of approximately $13.7 million under contracts to purchase print engines.

The Company was contingently liable for approximately $4.6 million as of September 30, 1994, principally the result of written letters of credit, with various expiration dates, issued in the normal course of business for the purchase of inventory. These letters are not collateralized by the Company.

The Company is a defendant in various litigation in the normal course of business. Based on consultation with various counsel in these matters, management is of the opinion that the ultimate resolution of such claims will not materially affect the Company's financial position or results of operations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of QMS, Inc. is responsible for the preparation, integrity and objectivity of the consolidated financial statements and all other sections of this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the consolidated financial statements, management made informed estimates and judgments of the expected effects of events and transactions based upon currently available facts and circumstances.

Management maintains a system of internal accounting controls which it believes is adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management authorization and the financial records are reliable for preparing the consolidated financial statements. The concept of reasonable assurance recognizes that the cost of a system of internal accounting controls should not exceed the benefits derived and that there are inherent limitations in the effectiveness of any system of internal accounting controls.

The Company's independent auditors, Deloitte & Touche LLP, have audited the Company's consolidated financial statements and expressed an opinion that such statements present fairly the Company's financial position, results of operations and cash flows in conformity with generally accepted accounting principles. Their audit was conducted in accordance with generally accepted auditing standards and included such procedures believed by them to be sufficient to provide reasonable assurance that the consolidated financial statements are free of material misstatement.

The Board of Directors, acting through its Audit Committee, oversees management's responsibilities in the preparation of the consolidated financial statements. In performing this function, the Audit Committee, which is composed of directors who are not employees of the Company, meets periodically with management and the independent auditors to review the work of each. Deloitte & Touche LLP has free access to the Audit Committee and to the Board of Directors, without management present, to discuss internal accounting control, auditing and financial reporting matters.

We believe these policies and procedures provide reasonable assurance that our operations are conducted with a high standard of business conduct and that the financial statements reflect fairy the financial position, results of operations and cash flows of the Company.

/s/James L. Busby
President and Chief Executive Officer

/s/Charles D. Daley
Executive Vice President,
Finance and Administration
and Chief Financial Officer

QUARTERLY DATA

Unaudited quarterly data for the fiscal years ended September 30, 1994 and October 1, 1993.

	1994			
Dollars in thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 70,654	$ 71,283	$ 73,538	$ 77,213
Gross profit	23,832	23,270	23,748	25,300
Net income (loss)	(366)	551	1,205	1,570
Earnings (loss) per common share:				
Primary	$ (.03)	$ .05	$ .11	$ .15
Fully diluted	$ (.03)	$ .05	$ .11	$ .15

	1993			
Dollars in thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 77,273	$ 82,491	$ 70,455	$ 67,161
Gross profit	25,967	27,883	22,730	18,996

Net income (loss)	1,359	1,968	(1,237)	(5,486)
Earnings (loss) per common share:				
Primary	$ .13	$ .18	$ (.11)	$ (.51)
Fully diluted	$ .13	$ .18	$ (.11)	$ (.51)

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of QMS, Inc. and subsidiaries as of September 30, 1994 and October 1, 1993 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three fiscal years in the period ended September 30, 1994. Our audits also included the financial statement schedule listed in the index at Item 14. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule 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, such consolidated financial statements present fairly, in all material respects, the financial position of QMS, Inc. and subsidiaries at September 30, 1994 and October 1, 1993 and the results of their operations and their cash flows for each of the three fiscal years in the period ended September 30, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Mobile, Alabama
October 20, 1994, except for Note 6 as to
which the date is December 9, 1994.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND ACCOUNTING FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item is incorporated by reference to information under the captions "Proposal 1 - Election of Directors - Directors and Director Nominees and - Compliance with Section 16(a) of the Securities Exchange Act of 1934" on pages 2-4 of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on January 25, 1994 (the "Proxy Statement") and "Executive Officers" on page 4 of the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to information under the captions "Proposal 1 - Election of Directors - Director Compensation" on page 4, "Executive Compensation Tables" on pages 5-7, "Stock Performance Graph" on page 8, "Executive Agreements" on pages 8-9 and "Report of the Compensation Committee of the Board of Directors of QMS, Inc." on pages 9-11 of the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is incorporated by reference to information under the caption "Beneficial Ownership of Common Stock" on page 5 of the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated by reference to information under the caption "Compensation Committee Interlocks and Insider Participation" on page 11 of the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this report:

1. Financial Statements

The following financial statements are included in Item 8 of Part II:

Consolidated Statements of Operations for the Fiscal Years Ended September 30, 1994, October 1, 1993 and October 2, 1992.

Consolidated Statements of Changes in Stockholders' Equity for the Fiscal Years Ended September 30, 1994, October 1, 1993 and October 2, 1992.

Consolidated Balance Sheets at September 30, 1994 and October 1, 1993.

Consolidated Statements of Cash Flows for the Fiscal Years Ended September 30, 1994, October 1, 1993 and October 2, 1992.

Notes to Consolidated Financial Statements for the Fiscal Years Ended September 30, 1994, October 1, 1993 and October 2, 1992.

2. Financial Statement Schedules

The schedule listed below is included herein immediately after the signature pages hereto. Schedules not listed below have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

Schedule Number	Description
VIII	Valuation and Qualifying Accounts and Reserves for the Three Fiscal Years Ended September 30, 1994.

The Registrant's independent auditors' report on the financial statements and financial statement schedule listed above is located at Item 8 of Part II.

3. Exhibits:

Exhibit Number	Description
3(a)	Restated Certificate of Incorporation, as amended as of February 17, 1987/1/ and Certificate of Amendment thereto filed with the Secretary of State of Delaware as of January 31, 1991./2/
3(b)	Bylaws of Registrant./1/
4(a)	The rights of security holders are

	defined in Articles 4, 9 and 10 of the Restated Certificate of Incorporation of the Registrant, Articles II, VI and VII of the Bylaws of the Registrant and the Rights Agreement. [Incorporated herein by reference to Exhibits 3(a), 3(b) and 4(b), respectively.]
4(b)	Rights Agreement dated November 30, 1988./3/
10(a)(i)	Cash or Deferred Retirement Plan, as amended and restated as of December 17, 1993./4//*/
10(a)(ii)	Trust Agreement dated November 1, 1993 relating to the Cash or Deferred Retirement Plan as amended by an Amendment to the Trust Agreement dated December 28, 1993./4/
10(b)	QMS, Inc. Annual Individual Incentive Compensation Plan - Fiscal Year 1994./4//*/
10(c)(i)	Form of 1987 Stock Option Plan, as amended and restated as of December 13, 1990./2//*/
10(c)(ii)	Form of First Amendment to the 1987 Stock Option Plan effective November 7, 1991./2//*/
10(d)	Supplemental Executive Retirement Plan Agreements dated September 30, 1991./4//*/
10(e)(i)	Worldwide Master Purchase Agreement 90-01 among Canon U.S.A., Inc., Canon Europa, N.V. and QMS, Inc. dated October 1, 1990./5/
10(e)(ii)	SX/TX/LX Worldwide Master Purchase Agreement 90-02 among Canon U.S.A., Inc., Canon Europa, N.V. and QMS, Inc. dated October 1, 1990./5/
10(e)(iii)	LBP-20 Purchase Agreement 90-03-LBP-20 between Canon U.S.A., Inc. and QMS, Inc. dated October 1, 1990./5/
10(f)	Note Agreement dated March 15, 1988

("Note Agreement") delivered by QMS, Inc. to Connecticut General Life Insurance Company for $20,000,000 in aggregate principal amount of QMS, Inc.'s 10.13% Senior Unsecured Notes due March 31, 1998 (the "Senior Notes")./6/

10(f)(iv)	Amendment to Guaranty Agreement, made as of January 30, 1991, regarding the Senior Notes./5/
10(f)(v)	Second Amendment to Security and Trust Agreement, dated as of October 2, 1992, regarding the Senior Notes./5/
10(f)(vi)	Subordination Agreement, dated as of October 2, 1992, by and among certain subsidiaries of QMS, Inc. in favor of AmSouth Bank, N.A., First Union National Bank of North Carolina and First National Bank of Louisville./5/
10(f)(vii)	Waiver Agreement, dated as of November 30, 1992. /5/
10(f)(viii)	Consolidating Amendment to Note Agreement dated June 30, 1993./7/
10(f)(ix)	Supplemental Subordination Agreement, dated as of June 30, 1993, by and among certain subsidiaries of QMS, Inc., in favor of AmSouth Bank N.A., National City Bank, Kentucky and NationsBank of Georgia, N.A./7/
10(f)(x)	Waiver Agreement dated as of November 23, 1993 waiving certain provisions of the Note Agreement./4/
10(f)(xi)	Waiver Agreement dated as of February 25, 1994 waiving certain provisions of the Note Agreement./8/
10(f)(xii)	Waiver Agreement dated as of May 3, 1994 waiving certain provisions of the Note Agreement./9/
10(f)(xiii)	Waiver Agreement dated as of August 12, 1994 waiving certain provisions of the Note Agreement.
10(f)(xiv)	Waiver Agreement dated as of

November 30, 1994 waiving certain provisions of the Note Agreement.

10(g)(i) Amended and Restated Secured Revolving Credit Agreement ("Amended and Restated Credit Agreement") by and among QMS, Inc. and QMS Circuits, Inc. (Borrowers), AmSouth Bank, N.A. (Agent), and AmSouth Bank, N.A., First Union National Bank of North Carolina and First National Bank of Louisville (Lenders), with respect to $30,000,000, dated October 2, 1992./5/

10(g)(ii) Revolving Credit Notes, each dated October 2, 1992, with First National Bank of Louisville ($7,500,000), First Union National Bank of North Carolina ($7,500,000), and AmSouth Bank, N.A. ($15,000,000)./5/

10(g)(iii) Second Amended Agreement Among Borrowers, made as of October 2, 1992./5/

10(g)(iv) Waiver of Non-Compliance, dated October 29, 1992./5/

10(g)(v) Supplemental Agreement for Fiscal Year 1993, made as of November 30, 1992./5/

10(g)(vi) First Amendment to Amended and Restated Credit Agreement, dated April 2, 1993./7/

10(g)(vii) Second Amendment to Amended and Restated Credit Agreement, dated June 30, 1993./7/

10(g)(viii) Supplemental Secured Revolving Credit Agreement ("Supplemental Secured Credit Agreement") by and among QMS, Inc. and QMS Circuits, Inc. (Borrowers), AmSouth Bank N.A., (Agent), and AmSouth Bank N.A., National City Bank, Kentucky and NationsBank of Georgia, N.A. (Lenders), with respect to $7,500,000, dated June 30, 1993./7/

10(g)(ix) Supplemental Revolving Credit Notes, each dated June 30, 1993, with National City Bank, Kentucky ($1,875,000), NationsBank of Georgia, N.A. ($1,875,000) and AmSouth Bank N.A. ($3,750,000)./7/

10(g)(x)	Third Amendment to Security and Trust Agreement, dated June 30, 1993 between QMS, Inc. and QMS Circuits, Inc. and AmSouth Bank N.A., as Trustee./7/
10(g)(xi)	Assignment dated April 2, 1993 by First Union National Bank of North Carolina to NationsBank of Georgia, N.A. of its rights under the Amended and Restated Revolving Credit Agreement dated October 12, 1992./4/
10(g)(xii)	Revolving Credit Note in the amount of $7,500,000 dated April 2, 1993 issued by QMS, Inc. and QMS Circuits, Inc. in favor of NationsBank of Georgia, N.A. replacing the Revolving Credit Note dated October 2, 1992 issued to First Union National Bank of North Carolina./4/
10(g)(xiii)	Third Amendment to Amended and Restated Credit Agreement dated November 19, 1993./4/
10(g)(xiv)	First Amendment to Supplemental Secured Credit Agreement dated November 19, 1993./4/
10(g)(xv)	Fourth Amendment to Amended and Restated Credit Agreement dated April 22, 1994./8/
10(g)(xvi)	Waiver Agreement dated as of May 3, 1994 waiving certain provisions of the Note Agreement./9/
10(g)(xvii)	Waiver Agreement dated as of August 23, 1994 waiving certain provisions of the Note Agreement.
10(g)(xviii)	Fifth Amendment to Amended and Restated Credit Agreement dated as of December 9, 1994.
10(h)	Form of Executive Agreement entered into with: James L. Busby; Donald L. Parker, Ph.D.; Charles D. Daley; and Raymond A. Rosewall./10//*/
10(l)(i)	Note Agreement dated June 30, 1993 ("1993 Note Agreement") between QMS, Inc. and Connecticut General Life Insurance Company for $10,000,000 in aggregate principal amount

of QMS, Inc.'s 6.15% Senior Secured Notes due June 15, 1998./7/

10(l)(ii)	Mortgage, Trust and Security Agreement dated June 30, 1993 between QMS, Inc. and First Alabama Bank of Mobile, as Trustee, for QMS, Inc. $10,000,000 aggregate principal amount of 6.15% Senior Secured Notes due June 15, 1998./7/
10(l)(iii)	Senior Secured Notes, each dated July 1, 1993, with CIG & CO. ($3,500,000) and ($3,500,000) and ZANDE & Co ($3,000,000)./7/
10(l)(iv)	Waiver Agreement dated November 23, 1993 waiving certain provisions of the 1993 Note Agreement/4/
10(l)(v)	Waiver Agreement dated as of February 25, 1994 waiving certain provisions of the Note Agreement./8/
10(l)(vi)	Waiver Agreement dated as of May 3, 1994 waiving certain provisions of the 1993 Note Agreement./9/
10(l)(vii)	Waiver Agreement dated as of August 12, 1994 waiving certain provisions of the 1993 Note Agreement.
10(l)(viii)	Waiver Agreement dated as of November 30, 1994 waiving certain provisions of the 1993 Note Agreement.
10(o)	Stock Option Plan, dated July 30, 1984,/11//*/ together with First Amendment thereto effective as of January 1, 1987/1//*/, Second Amendment thereto effective as of November 10, 1987,/1//*/ Third Amendment thereto effective as of April 6, 1989,/10//*/ Fourth Amendment thereto effective as of January 1, 1990/6//*/ and Fifth Amendment thereto effective as of November 7, 1991./2//*/
10(p)	Stock Option Plan for Directors./12//*/
11	Statement Regarding Computation of Earnings Per Share.

21	Subsidiaries of the Registrant.
23	Consent of Deloitte & Touche LLP, independent auditors.
27	Financial Data Schedules

/*/ Indicates a management contract or compensatory plan or arrangement.

/1/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended October 2, 1987 (Commission File No. 1-9348).

/2/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended September 27, 1991 (Commission File No. 1-9348).

/3/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended September 30, 1988 (Commission File No. 1-9348).

/4/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended October 1, 1993 (Commission File No. 1-9348).

/5/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended October 2, 1992 (Commission File No. 1-9348).

/6/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the quarter ended April 1, 1988 (Commission File No. 1-9348).

/7/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the fiscal quarter ended July 2, 1993 (Commission File No. 1-9348).

/8/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the fiscal quarter ended April 1, 1994 (Commission File No. 1-9348).

/9/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the fiscal quarter ended July 1, 1994 (Commission File No. 1-9348).

/10/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended September 29, 1989 (Commission File No. 1-9348).

/11/ Incorporated herein by reference to exhibit of same number in Registrant's Registration Statement on Form S-1, filed September 19, 1984 (Registration No. 2-93329).

/12/ Incorporated herein by reference to Appendix B to the Registrant's Proxy Statement for the Annual Meeting of Stockholders held on January 25, 1994 (Commission File No. 1-9348).

(b) Reports on Forms 8-K: None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QMS, Inc.

Date: December 21, 1994 By: /s/James L. Busby
James L. Busby
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: December 21, 1994 By: /s/James L. Busby
James L. Busby
President and Director
(Principal Executive Officer)

Date: December 21, 1994 By: /s/Charles D. Daley
Charles D. Daley
Executive Vice President, Finance and Administration, Treasurer, Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

Date: December 21, 1994 By: /s/Donald L. Parker, Ph.D.
Donald L. Parker, Ph.D.
Director

Date: December 21, 1994 By: /s/Jack R. Altherr
Jack R. Altherr
Director

Date: December 21, 1994 By: /s/Lucius E. Burch
Lucius E. Burch
Director

Date: December 21, 1994 By: /s/Michael C. Dow
Michael C. Dow
Director

Date: December 21, 1994 By: /s/G. William Speer
G. William Speer
Director

SCHEDULE VIII
QMS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE THREE FISCAL YEARS ENDED SEPTEMBER 30, 1994

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions (a)	Balance at End of Year
Allowance for doubtful accounts--deducted from receivables in the balance sheet				
YEAR ENDED OCTOBER 2, 1992....	$ 653,000	$ 575,000	$ 610,000	$ 618,000
YEAR ENDED OCTOBER 1, 1993....	$ 618,000	$ 326,000	$ 364,000	$ 580,000
YEAR ENDED SEPTEMBER 30, 1992..	$ 580,000	$ 228,000	$ 304,000	$ 504,000

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions (b)	Balance at End of Year
Inventory reserve--				

deducted from inventory in the balance sheet				
YEAR ENDED OCTOBER 2, 1992....	$ 7,499,000	$ 5,357,000	$ 6,840,000	$ 6,016,000
YEAR ENDED OCTOBER 1, 1993....	$ 6,016,000	$ 8,923,000	$ 8,635,000	$ 6,304,000
YEAR ENDED SEPTEMBER 30, 1992..	$ 6,304,000	$ 5,388,000	$ 4,884,000	$ 6,808,000

(a) Uncollectible accounts written off
(b) Disposal of inventory

INDEX

3. Exhibits:

Exhibit Number	Description	Page Number
3(a)	Restated Certificate of Incorporation, as amended as of February 7, 1987/1/ and Certificate of Amendment thereto filed with the Secretary of State of Delaware as of January 31, 1991,/2/	
3(b)	Bylaws of Registrant/1/	
4(a)	The rights of security holders are defined in Articles 4, 9 and 10 of the Restated Certificate of Incorporation of the Registrant, Articles II, VI and VII of the Bylaws of the Registrant and the Rights Agreement. [Incorporated herein by reference to Exhibits 3(a), 3(b) and 4(b), respectively.]	
4(b)	Rights Agreement dated November 30, 1988./3/	
10(a)(i)	Cash or Deferred Retirement Plan, as amended and restated as of December 17, 1993. /4//*/	
10(a)(ii)	Trust Agreement dated November 1, 1993 relating to the Cash or Deferred Retirement	

	Plan as amended by an Amendment to the Trust Agreement dated December 28, 1993./4/
10(b)	QMS, Inc. Annual Individual Incentive Compensation Plan - Fiscal Year 1994./4//*/
10(c)(i)	Form of 1987 Stock Option Plan, as amended and restated as of December 13, 1990./2//*/
10(c)(ii)	Form of First Amendment to the 1987 Stock Option Plan effective November 7, 1991./2//*/
10(d)	Supplemental Executive Retirement Plan Agreements dated September 30, 1991. /4//*/
10(e)(i)	Worldwide Master Purchase Agreement 90-01 among Canon U.S.A., Inc., Canon Europa, N.V. and QMS, Inc. dated October 1, 1990./5/
10(e)(ii)	SX/TX/LX Worldwide Master Purchase Agreement 90-02 among Canon U.S.A., Inc., Canon Europa, N.V. and QMS, Inc. dated October 1, 1990./5/
10(e)(iii)	LBP-20 Purchase Agreement 90-03-LBP-20 between Canon U.S.A., Inc. and QMS, Inc. dated October 1, 1990./5/
10(f)	Note Agreement dated March 15, 1988 ("Note Agreement") delivered by QMS, Inc. to Connecticut General Life Insurance Company for $20,000,000 in aggregate principal amount of QMS, Inc.'s 10.13% Senior Unsecured Notes due March 31, 1998 (the "Senior Notes")./6/
10(f)(iv)	Amendment to Guaranty Agreement, made as of January 30, 1991, regarding the Senior Notes./5/
10(f)(v)	Second Amendment to Security and Trust Agreement, dated as of October 2, 1992, regarding the Senior Notes./5/
10(f)(vi)	Subordination Agreement, dated as of October 2, 1992, by and among certain subsidiaries of QMS, Inc. in favor of AmSouth Bank, N.A., First Union National Bank of North Carolina and First National Bank of Louisville./5/
10(f)(vii)	Waiver Agreement, dated as of November 30, 1992./5/

10(f)(viii)	Consolidating Amendment to Note Agreement dated June 30, 1993./7/	
10(f)(ix)	Supplemental Subordination Agreement, dated as of June 30, 1993, by and among certain subsidiaries of QMS, Inc., in favor of AmSouth Bank N.A., National City Bank, Kentucky and NationsBank of Georgia, N.A./7/	
10(f)(x)	Waiver Agreement dated as of November 23, 1993 waiving certain provisions of the Note Agreement./4/	
10(f)(xi)	Waiver Agreement dated as of February 25, 1994 waiving certain provisions of the Note Agreement./8/	
10(f)(xii)	Waiver Agreement dated as of May 3, 1994 waiving certain provisions of the Note Agreement./9/	
10(f)(xiii)	Waiver Agreement dated as of August 12, 1994 waiving certain provisions of the Note Agreement.	48
10(f)(xiv)	Waiver Agreement dated as of November 30, 1994 waiving certain provisions of the Note Agreement.	50
10(g)(i)	Amended and Restated Secured Revolving Credit Agreement ("Amended and Restated Credit Agreement") by and among QMS, Inc. and QMS Circuits, Inc. (Borrowers), AmSouth Bank, N.A. (Agent), and AmSouth Bank, N.A., First Union National Bank of North Carolina and First National Bank of Louisville (Lenders), with respect to $30,000,000, dated October 2, 1992./5/	
10(g)(ii)	Revolving Credit Notes, each dated October 2, 1992, with First National Bank of Louisville ($7,500,000), First Union National Bank of North Carolina ($7,500,000), and AmSouth Bank, N.A. ($15,000,000)./5/	
10(g)(iii)	Second Amended Agreement Among Borrowers, made as of October 2, 1992./5/	
10(g)(iv)	Waiver of Non-Compliance, dated October 29, 1992./5/	

10(g)(v)	Supplemental Agreement for Fiscal Year 1993, made as of November 30, 1992./5/
10(g)(vi)	First Amendment to Amended and Restated Credit Agreement, dated April 2, 1993./7/
10(g)(vii)	Second Amendment to Amended and Restated Credit Agreement, dated June 30, 1993./7/
10(g)(viii)	Supplemental Secured Revolving Credit Agreement ("Supplemental Secured Credit Agreement") by and among QMS, Inc. and QMS Circuits, Inc. (Borrowers), AmSouth Bank N.A., (Agent), and AmSouth Bank N.A., National City Bank, Kentucky and NationsBank of Georgia, N.A. (Lenders), with respect to $7,500,000, dated June 30, 1993./7/
10(g)(ix)	Supplemental Revolving Credit Notes, each dated June 30, 1993, with National City Bank, Kentucky ($1,875,000), NationsBank of Georgia, N.A. ($1,875,000) and AmSouth Bank N.A. ($3,750,000)./7/
10(g)(x)	Third Amendment to Security and Trust Agreement, dated June 30, 1993 between QMS, Inc. and QMS Circuits, Inc. and AmSouth Bank N.A., as Trustee./7/
10(g)(xi)	Assignment dated April 2, 1993 by First Union National Bank of North Carolina to NationsBank of Georgia, N.A. of its rights under the Amended and Restated Revolving Credit Agreement dated October 12, 1992./4/
10(g)(xii)	Revolving Credit Note in the amount of $7,500,000 dated April 2, 1993 issued by QMS, Inc. and QMS Circuits, Inc. in favor of Nations-Bank of Georgia, N.A. replacing the Revolving Credit Note dated October 2, 1992 issued to First Union National Bank of North Carolina./4/
10(g)(xiii)	Third Amendment to Amended and Restated Credit Agreement dated November 19, 1993./4/
10(g)(xiv)	First Amendment to Supplemental Secured Credit Agreement dated November 19, 1993./4/
10(g)(xv)	Fourth Amendment to Amended and Restated Credit Agreement dated April 22, 1994./8/
10(g)(xvi)	Waiver Agreement dated as of May 3, 1994

	waiving certain provisions of the Note Agreement./9/	
10(g)(xvii)	Waiver Agreement dated as of August 23, 1994 waiving certain provisions of the Note Agreement.	52
10(g)(xviii)	Fifth Amendment to Amended and Restated Credit Agreement dated as of December 9, 1994.	53
10(h)	Form of Executive Agreement entered into with: James L. Busby; Donald L. Parker, Ph.D.; Charles D. Daley; and Raymond A. Rosewall./10//*/	
10(l)(i)	Note Agreement dated June 30, 1993 ("1993 Note Agreement") between QMS, Inc. and Connecticut General Life Insurance Company for $10,000,000 in aggregate principal amount of QMS, Inc.'s 6.15% Senior Secured Notes due June 15, 1998./7/	
10(l)(ii)	Mortgage, Trust and Security Agreement dated June 30, 1993 between QMS, Inc. and First Alabama Bank of Mobile, as Trustee, for QMS, Inc. $10,000,000 aggregate principal amount of 6.15% Senior Secured Notes due June 15, 1998./7/	
10(l)(iii)	Senior Secured Notes, each dated July 1, 1993, with CIG & CO. ($3,500,000) and ($3,500,000) and ZANDE & Co ($3,000,000)./7/	
10(l)(iv)	Waiver Agreement dated November 23, 1993 waiving certain provisions of the 1993 Note Agreement./4/	
10(l)(v)	Waiver Agreement dated as of February 25, 1994 waiving certain provisions of the Note Agreement./8/	
10(l)(vi)	Waiver Agreement dated as of May 3, 1994 waiving certain provisions of the 1993 Note Agreement./9/	
10(l)(vii)	Waiver Agreement dated as of August 12, 1994 waiving certain provisions of the 1993 Note Agreement.	57
10(l)(viii)	Waiver Agreement dated as of November 30, 1994 waiving certain provisions of the 1993 Note Agreement.	59

10(o)	Stock Option Plan, dated July 30, 1984,/11//*/ together with First Amendment thereto effective as of January 1, 1987/1//*/, Second Amendment thereto effective as of November 10, 1987,/1//*/ Third Amendment thereto effective as of April 6, 1989,/10//*/ Fourth Amendment thereto effective as of January 1, 1990/6//*/ and Fifth Amendment thereto effective as of November 7, 1991./2//*/	
10(p)	Stock Option Plan for Directors./12//*/	
11	Statement Regarding Computation of Earnings Per Share.	61
21	Subsidiaries of the Registrant.	62
23	Consent of Deloitte & Touche LLP, independent auditors.	63
27	Financial Data Schedules	64

/*/ Indicates a management contract or compensatory plan or arrangement.

/1/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended October 2, 1987 (Commission File No. 1-9348).

/2/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended September 27, 1991 (Commission File No. 1-9348).

/3/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended September 30, 1988 (Commission File No. 1-9348).

/4/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended October 1, 1993 (Commission File No. 1-9348).

/5/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended October 2, 1992 (Commission File No. 1-9348).

/6/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the quarter ended April 1, 1988 (Commission File No. 1-9348).

/7/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the fiscal quarter ended July 2, 1993 (Commission File No. 1-9348).

/8/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the fiscal quarter ended April 1, 1994 (Commission File No. 1-9348).

/9/ Incorporated herein by reference to exhibit of same number in Registrant's quarterly report on Form 10-Q for the fiscal quarter ended July 1, 1994 (Commission File No. 1-9348).

/10/ Incorporated herein by reference to exhibit of same number in Registrant's annual report on Form 10-K for the fiscal year ended September 29, 1989 (Commission File No. 1-9348).

/11/ Incorporated herein by reference to exhibit of same number in Registrant's Registration Statement on Form S-1, filed September 19, 1984 (Registration No. 2-93329).

/12/ Incorporated herein by reference to Appendix B to the Registrant's Proxy Statement for the Annual Meeting of Stockholders held on January 25, 1994 (Commission File No. 1-9348).

(b) Forms 8-K: None.

____

<F1>1 The following registered trademarks of the Registrant are used herein: QMS-PS(R), ColorScript(R), Crown(R), and MAGNUM(R). PostScript is a trademark of Adobe Systems Incorporated, which may be registered in certain jurisdictions, and PCL(R) is a registered trademark of Hewlett Packard Company.

Exhibit 10(f)(xiii)

WAIVER AGREEMENT

Waiver Agreement dated as of August 12, 1994 (the "Waiver Agreement") between QMS, Inc. (the "Company") and Connecticut General Life Insurance Company (the "Holder").

1. Reference is hereby made to the Note Agreement dated as of March 15, 1988 as amended by Amendment to Note Agreement dated August 22, 1989, Second Amendments to Note Agreement dated as of April 2, 1990 and January 30, 1991, Third Amendment to Note Agreement dated as of October 2, 1992 and the Consolidating Amendment to Note Agreement dated as of June 30, 1993 (as so amended, the "Note Agreement") between the Company and the Holder or the nominee of the Holder. All terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Note Agreement.

2. Subject to the provisions herein contained, the Holder has agreed to waive certain provisions of the Note Agreement with respect to the Company's third fiscal quarter ending June 30, 1994.

3. The Holder hereby waives any Default or Event of Default which existed as of the end of the fiscal quarter ending June 30, 1994 resulting from the Company's non-compliance with Section 7.17 of the Note Agreement as of such date.

4. If at any time during the 1994 fiscal year of the Company, the Company shall request of the Holder a waiver of any breach or default of the Company under the Note Agreement, the Holder shall receive a fee in the amount of $5,500 with respect to such waiver. The right of the Holder to receive such fee shall in no way obligate the Holder to grant any waiver and the Company acknowledges that the granting of any waiver by the Holder is in the sole and absolute discretion of the Holder.

5. Except as specifically modified hereby, the Note Agreement shall remain in full force and effect in accordance with the terms hereof.

6. The Company hereby represents and warrants that this Waiver Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered on behalf of the Company, and constitutes the legal, valid and binding obligation of the Company.

7. This Waiver Agreement shall not be effective as to any party hereto until each party hereto shall have executive at least one counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Waiver Agreement as of the day and year first above written.

QMS, Inc.

By: \s\PHILIP R. CAHOON
Name: PHILIP R. CAHOON
Title: VICE-PRESIDENT

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc.

By: \s\EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

Exhibit 10(f)(xiv)

WAIVER AGREEMENT

Waiver Agreement dated as of November 30, 1994 (the "Waiver Agreement") between QMS, Inc. (the "Company") and Connecticut General Life Insurance Company (the "Holder").

1. Reference is hereby made to the Note Agreement dated as of March 15, 1988 as amended by Amendment to Note Agreement dated August 22, 1989, Second Amendments to Note Agreement dated as of April 2, 1990 and January 30, 1991, Third Amendment to Note Agreement dated as of October 2, 1992 and the Consolidating Amendment to Note Agreement dated as of June 30, 1993 (as so amended, the "Note Agreement") between the Company and the Holder or the nominee of the Holder. All terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Note Agreement.

2. Subject to the provisions herein contained, the Holders have agreed to waive certain provisions of the Note Agreement with respect to the Company's fourth fiscal quarter ending September 30, 1994.

3. The Holder hereby waives any Default or Event of Default which existed as of the end of the fiscal quarter ending September 30, 1994 resulting from the Company's non-compliance with Section 7.17 and Section 7.23 of the Note Agreement as of such date.

4. If at any time during the 1994 fiscal year of the Company, the Company shall request of the Holder a waiver of any breach or default of the Company under the Note Agreement, the Holder shall receive a fee in the amount of $5,500 with respect to such waiver. The right of the Holder to receive such fee shall in no way obligate the Holder to grant any waiver and the Company acknowledges that the granting of any waiver by the Holder is in the sole and absolute discretion of the Holder.

5. Except as specifically modified hereby, the Note Agreement shall remain in full force and effect in accordance with the terms hereof.

6. The Company hereby represents and warrants that this Waiver Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered on behalf of the Company, and constitutes the legal, valid and binding obligation of the Company.

7. This Waiver Agreement shall not be effective as to any party hereto until each party hereto shall have executed at least one counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Waiver Agreement as of the day and year first above written.

QMS, Inc.

By: /s/C. D. DALEY
Name: C. D. DALEY
Title: EVP Finance & Administration

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc.

By: /s/EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

Exhibit 10(g)(xvii)

WAIVER OF NON-COMPLIANCE

TO: QMS, INC. and QMS CIRCUITS, INC.

RE: Amended and Restated Secured Revolving Credit Agreement dated October 2, 1992 (as amended to date, the "Credit Agreement"), by and among QMS, Inc. and QMS Circuits, Inc. as Borrowers ("Borrowers") and AmSouth Bank, N.A., as Agent ("Agent"), and AmSouth Bank, N.A., NationsBank of Georgia, N.A. and National City Bank, Kentucky, as Lenders ("Lenders).

Ladies and Gentlemen:

The undersigned, being each of the Lenders pursuant to the Credit Agreement acknowledge receipt of the Non-Compliance Certificate dated July 22, 1994 (the "Certificate") and executed on behalf of QMS, Inc. by Charles D. Daley, its Chief Financial Officer, which Certificate discloses noncompliance by the Borrowers with certain convenants pursuant to the Credit Agreement. As requested by the Borrowers, each of the undersigned hereby waives non-compliance by Borrowers with the requirements of Sections 9.10 and 9.16 of the Credit Agreement, effective upon payment of the waiver fee specified in Section 3 of the Third Amendment to the Credit Agreement made by the parties hereto as of November 19, 1993. This waiver is effective only as to such non-compliance specifically disclosed to Lenders in the Certificate, shall be effective only as to non-compliance in the third quarter of Borrowers' 1994 fiscal year, and shall not be deemed a waiver of the Financial Performance Tests set out in Section 4.02 of each of the Credit Agreement or of any other provisions thereof.

Dated as of the 23rd day of August, 1994.

AMSOUTH BANK, N.A.

BY: \s\DEBRA HARRISON

Title: VICE PRESIDENT

NATIONSBANK OF GEORGIA, N.A.	NATIONAL CITY BANK, KENTUCKY
BY: \s\SHAWN B. WELCH	BY: JOHN SIMMS
Title: ASST. VICE PRESIDENT	Title: VICE PRESIDENT

Exhibit 10(g)(xviii)

FIFTH AMENDMENT TO AMENDED AND RESTATED
SECURED REVOLVING CREDIT AGREEMENT
BY AND AMONG

QMS, INC. and
QMS CIRCUITS, INC.,
as Borrowers,

and AMSOUTH BANK OF ALABAMA (formerly known as
AMSOUTH BANK N.A.), as Agent,

and AMSOUTH BANK OF ALABAMA (formerly known as
AMSOUTH BANK N.A.), NATIONAL CITY BANK, KENTUCKY
(formerly known as FIRST NATIONAL BANK OF LOUISVILLE),
and NATIONSBANK OF GEORGIA, N.A., as Lenders

***

$30,000,000.00

***

As of December 9, 1994

FIFTH AMENDMENT TO AMENDED AND RESTATED
SECURED REVOLVING CREDIT AGREEMENT

This Fifth Amendment to Amended and Restated Secured Revolving Credit Agreement (this "Fifth Amendment") is entered into as of the 9th day of December, 1994 by and among QMS, Inc. and QMS Circuits, Inc., as Borrowers (each a "Borrower" and collectively "Borrowers"), AmSouth Bank of Alabama (formerly known as AmSouth Bank N.A.) as Agent for Lenders ("Agent") to the extent and in the manner provided in Article XI of that certain Amended and Restated Secured Revolving Credit Agreement entered into by the parties hereto or their predecessors in interest as of October 2, 1992 (as amended by that certain First Amendment to Amended and Restated Secured Revolving Credit Agreement entered into by the parties hereto as of April 2, 1993, by that certain Second Amendment to Amended and Restated Secured Revolving Credit Agreement entered into by the parties hereto as of June 30, 1993, by that certain Third Amendment to Amended and Restated Secured Revolving Credit Agreement entered into by the parties hereto as of November 19, 1993, and by that certain Fourth Amendment to Amended and Restated Secured Revolving Credit Agreement (the "Fourth Amendment") entered into by the parties hereto as of April 22, 1994, the "Secured Revolving Credit Agreement"), and AmSouth Bank of Alabama (formerly known as AmSouth Bank N.A.), National City Bank, Kentucky and NationsBank of Georgia, N.A., as Lenders (each a Lender and collectively "Lenders"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Secured Revolving Credit Agreement.

WITNESSETH

WHEREAS, the Borrowers have requested that the Lenders waive noncompliance during the fourth quarter of Borrowers' 1994 fiscal year with certain provisions of the Secured Revolving Credit Agreement, and Lenders have agreed to do so upon the terms and conditions set forth herein, including amendment of the Secured Revolving Credit Agreement as hereinafter set forth to, among other things, modify certain covenants.

NOW, THEREFORE, in consideration of the mutual promises herein contained and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledge, the parties hereto agree as follows:

1. Section 2.14(b) of the Secured Revolving Credit Agreement is hereby amended by restating such Section 2.14(b) in its entirety to read as follows:

> (b) 40% of Eligible Inventory, less the amount, if any, by which 40% of Eligible Inventory exceeds $15.0 million (provided that such $15.0 million amount shall be reduced to $12.0 million at the end of December, 1994, $10.0 million at the end of January, 1995, $8.0 million at the end of February, 1995 and $7.5 million at the end of March, 1995, and shall be further reduced by $500,000 at the end of each month thereafter; less

2. Section 9.22 of the Secured Revolving Credit Agreement (which was added by the Fourth Amendment) is hereby amended by restating such Section 9.22 in its entirety to read as follows:

> 9.22 Profitability. Borrowers shall not permit net income (after taxes and other charges against income) of QMS and its Consolidated Subsidiaries to be less than: $500,000 for the third quarter of Borrowers' 1994 fiscal year; $750,000 for the fourth quarter of Borrowers' 1994 fiscal year; $500,000 for the first quarter of Borrowers' 1995 fiscal year; and $1,000,000 for each fiscal quarter thereafter; nor shall Borrowers permit net income (after taxes and all other charges against income) of QMS and its Consolidated Subsidiaries to be less than: $2.0 million for the December, 1994

reporting period, a loss of $500,000 for the January, 1995 reporting period, zero (0) for the February, 1995 reporting period, and $1.0 million for the March, 1995 reporting period. In addition to the foregoing, from and after April 1, 1995, Borrower shall not permit net income (after taxes and all other charges against income) of QMS and its Consolidated Subsidiaries to reflect (a) a loss in excess of $400,000 in any single monthly reporting period, or (b) an aggregate loss in excess of $400,000 for any two months in a single fiscal quarter.

3. In the event that on March 31, 1995, National City Bank, Kentucky remains as a Lender hereunder: (a) Borrower shall pay to Agent for the account of Lenders the sum of $90,000; and (b) effective April 1, 1995, Section 4.02(a)(i) of the Secured Revolving Credit Agreement shall be amended by restating such Section 4.01(a)(i) in its entirety to read as follows:

(i) The AmSouth Prime Rate in effect from day to day plus two percent (2%), or

and Section 3.03 of the Secured Revolving Credit Agreement shall be amended by deleting from the third line thereof the phrase "one-fourth of one percent (1/4 of 1%)" and substituting therefor the phrase "one-half of one percent (1/2 of 1%)".

4. Lenders hereby waive the defaults under Sections 9.10 and 9.16 of the Secured Revolving Credit Agreement resulting from the noncompliance of Borrowers with the requirements of such Sections for the fourth quarter of Borrowers' 1994 fiscal year, to the extent such noncompliance has been disclosed heretofore by Borrowers to Lenders.

5. The provisions of this Fifth Amendment shall not be deemed to extend or to have any other effect on the current Commitment Termination Date under the Secured Revolving Credit Agreement, and, except as specifically provided herein, the provisions hereof shall not be deemed a waiver by Lenders of, or consent by Lenders to noncompliance by Borrowers with, any other provisions of the Loan Documents, including without limitation the cross-default provisions of Section 10.01(d) of the Secured Revolving Credit Agreement.

6. Lenders hereby consent to amendment of the QMS/CGLIC $20,000,000 Note Agreement to correspond to the amendments set forth in Section 2 above.

7. Borrowers agree that upon the execution and delivery by each of the parties hereto of this Fifth Amendment, Borrowers shall pay to Agent for the account of Lenders (a) a waiver fee in the amount of $10,000, and (b) an amendment fee in the amount of $10,000 pursuant to Section 12.02 of the Secured Revolving Credit Agreement.

8. This Fifth Amendment to Amended and Restated Secured Revolving Credit Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties hereto may execute this agreement by signing any such counterpart or a facsimile thereof.

IN WITNESS WHEREOF, the undersigned have executed this agreement as of the day and year first above written.

BORROWERS

QMS, INC.

BY: \s\C. D. DALEY
Title: EVP FINANCE & ADMIN.

QMS CIRCUITS, INC.

BY: \s\C. D. DALEY
Title: EVP FINANCE & ADMIN

AGENT

AmSOUTH BANK OF ALABAMA, as agent for Lenders pursuant to the terms of the Secured Revolving Credit Agreement

BY: \s\DEBRA L. HARRISON

Title: VICE PRESIDENT

LENDERS

AmSOUTH BANK OF ALABAMA

BY: \s\DEBRA L. HARRISON

Title: VICE PRESIDENT

NATIONAL CITY BANK, KENTUCKY

BY: \s\CARRIE C. TATE

Title: VICE PRESIDENT

NATIONSBANK OF GEORGIA, N.A.

BY: \s\SHAWN B. WELCH

Title: V. P.

Exhibit 10(l)(vii)

WAIVER AGREEMENT

Waiver Agreement dated as of August 12, 1994 (the "Waiver Agreement") between QMS, Inc. (the "Company") and each of Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of one or more separate accounts, and Life Insurance Company of North America (individually, a "Holder" and, collectively, the "Holders").

1. Reference is hereby made to the Note Agreement dated as of June 30, 1993 (the "Note Agreement") between the Company and each of the Holders. All terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Note Agreement.

2. Subject to the provisions herein contained, the Holders have agreed to waive certain provisions of the Note Agreement with respect to the Company's third fiscal quarter ending June 30, 1994.

3. Each Holder hereby waives any Default or Event of Default which existed as of the end of the fiscal quarter ending June 30, 1994 resulting from the Company's non-compliance with Section 7.17 of the Note Agreement as of such date.

4. If at any time during the 1994 fiscal year of the Company, the Company shall request of the Holders a waiver of any breach or default of the Company under the Note Agreement, the Holders shall receive, in the aggregate, a fee in the amount of $4,500 with respect to such waiver. The right of the Holders to receive such fee shall in no way obligate the Holders to grant any waiver and the Company acknowledges that the granting of any waiver by the Holders is in the sole and absolute discretion of each of the Holders.

5. Except as specifically modified hereby, the Note Agreement shall remain in full force and effect in accordance with the terms hereof.

6. The Company hereby represents and warrants that this Waiver Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered on behalf of the Company, and constitutes the legal, valid and binding obligation of the Company.

7. This Waiver Agreement shall not be effective as to any party hereto until each party hereto shall have executive at least one counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Waiver Agreement as of the day and year first above written.

QMS, Inc.

By: \s\PHILIP R. CAHOON
Name: PHILIP R. CAHOON
Title: Vice-President

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc.

By: \s\EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

CONNECTICUT GENERAL LIFE INSURANCE COMPANY, on behalf of one or more separate accounts
By: CIGNA Investments, Inc.

By: \s\EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc.

By: \s\EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

Exhibit 10(l)(viii)

WAIVER AGREEMENT

Waiver Agreement dated as of November 30, 1994 (the "Waiver Agreement") between QMS, Inc. (the "Company") and each of Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of one or more separate accounts, and Life Insurance Company of North America (individually, a "Holder" and, collectively, the "Holders").

1. Reference is hereby made to the Note Agreement dated as of June 30, 1993 (the "Note Agreement") between the Company and each of the Holders. All terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Note Agreement.

2. Subject to the provisions herein contained, the Holders have agreed to waive certain provisions of the Note Agreement with respect to the Company's fourth fiscal quarter ending September 30, 1994.

3. Each Holder hereby waives any Default or Event of Default which existed as of the end of the fiscal quarter ending September 30, 1994 resulting from the Company's non-compliance with Sections 7.17 and 7.23 of the Note Agreement as of such date.

4. If at any time during the 1994 fiscal year of the Company, the Company shall request of the Holders a waiver of any breach or default of the Company under the Note Agreement, the Holders shall receive, in the aggregate, a fee in the amount of $4,500 with respect to such waiver. The right of the Holders to receive such fee shall in no way obligate the Holders to grant any waiver and the Company acknowledges that the granting of any waiver by the Holders is in the sole and absolute discretion of each of the Holders.

5. Except as specifically modified hereby, the Note Agreement shall remain in full force and effect in accordance with the terms hereof.

6. The Company hereby represents and warrants that this Waiver Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered on behalf of the Company, and constitutes the legal, valid and binding obligation of the Company.

7. This Waiver Agreement shall not be effective as to any party hereto until each party hereto shall have executed at least one counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Waiver Agreement as of the day and year first above written.

QMS, Inc.

By: \s\C. D. DALEY
Name: C. D. DALEY
Title: EVP FIN. & ADMIN

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc.

By: \s\EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

CONNECTICUT GENERAL LIFE INSURANCE COMPANY, on behalf of one or more separate accounts
By: CIGNA Investments, Inc.

By: \s\EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc.

By: \s\EDWARD LEWIS
Name: EDWARD LEWIS
Title: MANAGING DIRECTOR

EXHIBIT 11

QMS, INC. AND SUBSIDIARIES

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS (LOSS)

(in thousands, except per share amounts)	September 30, 1994	October 1, 1993	October 2, 1992
Net Income (Loss)	$ 2,960	$(3,396)	$(2,933)
	=======	=======	=======
Shares used in this computation:			
Weighted average common shares outstanding	10,699	10,690	10,875
Shares applicable to stock options, net of shares assumed to be purchased from proceeds at average market	24	102	119
	-------	-------	-------
Total shares earnings per share computation (primary)	10,723	10,792	10,994
Shares applicable to stock options in addition to those used in primary computation due to the use of period-end market price when higher than average	38	29	0
	-------	-------	-------
Total fully diluted shares	10,761	10,821	10,994
	=======	=======	=======
Earnings (loss) per common share			
Primary:			
Net Income (loss)	$ 0.28	$ (0.31)	$ (0.27)
Fully Diluted:			
Net Income (loss)	$ 0.28	$ (0.31)	$ (0.27)

Weighted average number of shares used in computing earnings per share:

Primary	10,723	10,792	10,994
Fully diluted	10,761	10,821	10,994

EXHIBIT 21
QMS, INC.
SUBSIDIARIES AND TRADE NAMES

Unless indicated otherwise, each of the following is a wholly owned subsidiary of QMS, Inc.

Legal Name of Subsidiary	State or Other Jurisdiction of Incorporation	Other Names Under Which Subsidiary Does Business
QMS Circuits, Inc.	Delaware	QCI
QMS Foreign Sales, Inc.	U.S. Virgin Islands	
QMS Canada, Inc.	Canada	QMS Computer Products, Ltd. QCP Watson Computer Products, Inc.
QMS Europe B.V.	the Netherlands	QMS International B.V. QMS B.V. QMS Ltd.
*QMS New Zealand Limited	New Zealand	
QMS Australia Pty. Ltd.	Australia	
QMS Japan, Inc.	Japan	
QMS Asia-Pacific, Inc.	Delaware	

QMS EUROPE B.V. SUBSIDIARIES:

QMS International GmbH	West Germany
*QMS Winterthur, A.G.	Switzerland
QMS S.A.R.L.	France
QMS (UK) Limited	United Kingdom
QMS Nordic AB	Sweden

AS OF DECEMBER 15, 1994

* Dissolved or in the process of dissolution as of September 1994

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

QMS, INC.:

We consent to the incorporation by reference in Registration Statements No. 2-95422, No. 33-12063, No. 33-22842, No. 33-24780 and No. 33-46949 of QMS, Inc. and subsidiaries on Form S-8 of our report dated October 20, 1994, except for Note 6 as to which the date is December 9, 1994, appearing in the Annual Report on Form 10-K of QMS, Inc. and subsidiaries for the fiscal year ended September 30, 1994.

DELOITTE & TOUCHE LLP

Mobile, Alabama
December 27, 1994

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