



2011

Shareholder Report

AMERICAN SYSTEMS has earned the trust of our customers by focusing on areas of national priority since our founding in 1975.

We take pride in what we do, and why we do it.

We know what's at stake.

CEO Message



Welcome to the Shareholder, our annual report on **AMERICAN SYSTEMS.**

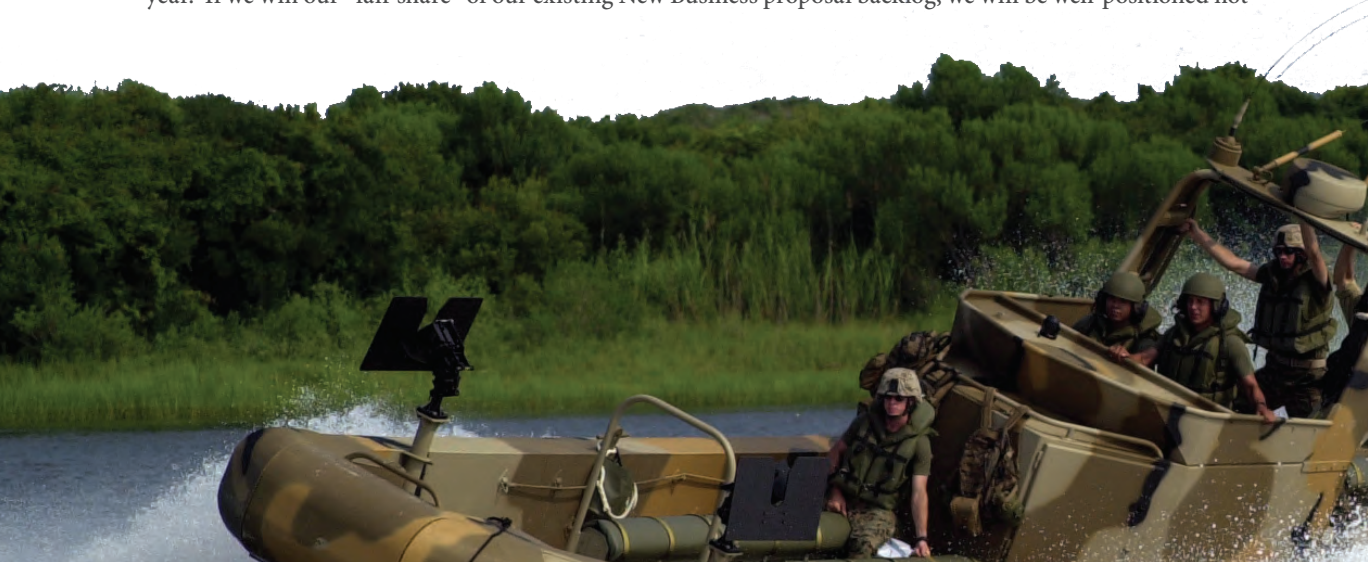
As I was able to do last year, I am happy to report that the momentum the Company generated in 2009 has carried through 2010 and into 2011. We continued to have industry-leading organic growth...we achieved 19% organic growth in 2010 over 2009. This was achieved despite our government customers' very delayed decision-making due to turmoil associated with the inability of Congress to pass a GFY/2011 appropriations bill until May, 2011. The good news in this is that the Company has the strongest new business proposal backlog in our history. If we are successful on our fair share of these proposals when

they are decided, our ability to sustain our momentum will be assured. As you have heard me say during my meetings with employee-owners around the Company, these results not only enable us to grow the value of our Company, but they also provide our employee-owners with career opportunities which enable them to continue their professional growth and development.

As per our annual routine, we refreshed our strategic plan during the second quarter of this year. The updated plan, which is focused on our nation's Priorities, reaffirms the importance of our Strategic Business Areas of C4ISR, National Security, Readiness, Citizen Safety and Acquisition & Logistics and was presented to and approved by the Board of Directors in May, 2011.

During the 2011 Kick-Off meetings, you heard me say that 2010 was a very good year for AMERICAN SYSTEMS. As I indicated above, we grew our revenue organically at ~19%, which was significantly better than the industry average of ~6-7%. We also had the second best New Business Bookings year in our Company's history (~\$304M), and our leading indicators remained very strong as we entered 2011. Again, as I indicated above, our business development results were impacted significantly by the delayed decision-making on the part of the government.

Although the first half of 2011 saw continued delays in decision-making, most industry analysts are predicting that we will see an increased rate of decision-making in the last four months of the government's current fiscal year. If we win our "fair share" of our existing New Business proposal backlog, we will be well-positioned not




only to close out 2011 strongly, but also to position ourselves for a robust beginning in 2012 and beyond.

Our nation continues to experience difficult economic times, and we still have a steep climb to get back to a more prosperous time. Additionally, our nation's spiraling debt has become a major economic and political issue. This has increased the pressure on our elected officials to cut costs. It is why our focus on National Priorities, in accordance with our Strategic Plan (2012-2016), is so important. As you have heard me say in the past, in good economic times, priorities get a lot of funding; and in bad economic times, priorities get funding! Needless to say, we remain in somewhat chaotic economic times. With that said, I believe that there are opportunities in chaos for companies and individuals who have a plan; who remain focused; and who are agile in adapting to emergent opportunities and issues. With more than \$30 Million in cash reserves, a well-developed and validated strategy, an untapped line of credit, and a focused and committed leadership team, I believe that AMERICAN SYSTEMS will be one of the companies that is prepared and positioned to take advantage of the opportunities that are presented.

As a fellow employee-owner, I am excited about the future of AMERICAN SYSTEMS. I hope you share that excitement, as well!

Sincerely,



William C. Hoover
President and CEO

HIGHLIGHTS FROM THE PAST 12 MONTHS

- ★ Awarded more than \$300 million in New Business Gross Bookings for the second year in a row in 2010
- ★ Achieved organic revenue growth of approximately 19% in 2010
- ★ Submitted New Business proposals in 2010 with a combined value of more than \$1.5 billion
- ★ Became an ENCORE II Prime Contractor
- ★ Awarded several New Business contracts valued between \$12 million and \$67 million each
- ★ Managed Services Training Operations Directorate won a three-year contract with OPM and FIS
- ★ Launched a Cybersecurity directorate
- ★ Unveiled a new marketing tagline "We know what's at stake" and a new advertising campaign
- ★ Continued to grow the Company brand through numerous articles, interviews, and mentions in the media
- ★ Named to the Top 100 Simulation and Training Companies list for the fifth consecutive year
- ★ Continued to penetrate new markets with new office locations in Hinton, WV and Charleston, SC
- ★ Launched a corporate Matching Gift Program for charitable endeavors in addition to the annual matching gift program in support of the Injured Marine Semper Fi Fund
- ★ Donated approximately \$40,000 to the Leukemia and Lymphoma Society through corporate giving
- ★ Continued to grow our support of charitable organizations dedicated to Health, Education, and the Military





Living Our Values

AMERICAN SYSTEMS prides itself on living our core values every day and takes its commitment to these values seriously, particularly our **Community Service** value. As a Caring Company, AMERICAN SYSTEMS continues to formally support charities focused on **Education, Health Issues, and Military Veterans.**



Education

- We are committed along with the Armed Forces Communications and Electronics Association (AFCEA) Educational Foundation to sponsor two of the Foundation's VADM Samuel L. Gravely Memorial Scholarships at \$5,000 each.
- For the past two years, AMERICAN SYSTEMS has supported the Fishing School. The Fishing School is a nationally-recognized youth development organization serving young people and their families in Washington, D.C.
- In 2010, as part of National Young Readers Day, AMERICAN SYSTEMS joined the Prince William County (VA) Chamber of Commerce and local businesses in reading aloud to students at Prince William County Public Schools. National Young Readers Day is an annual event designed to promote reading among elementary school-aged children. Lastly, our volunteers are proudly in their 12th year of providing tutoring support to Deer Park Elementary School in Centreville, VA.

The specific charities we choose to support must also enable our employee-owners to be involved. In 2011, AMERICAN SYSTEMS unveiled a new program designed to encourage our charitable endeavors through our **Helping Hands Matching Gifts Program.**

This Matching Gift Program matches employee contributions from \$25 to \$500 made to a qualified charity as long as an employee actively participates in the charity event, i.e., walker, runner or volunteer.



OUR MISSION

AMERICAN SYSTEMS is a privately-held, employee-owned, professional, technical and IT services provider. We apply diverse and innovative teams of professionals to enable our customers to accomplish their missions successfully.

Health Issues

- Our employee-owners continue to support fundraising efforts for the Leukemia & Lymphoma Society (LLS) through their Light The Night (LTN) Walks throughout the country. In 2010, AMERICAN SYSTEMS raised more than \$40,000 for LLS.
- We continue to support St. Jude Children's Research Hospital's exceptional treatment provided to children with catastrophic diseases and the great strides they make in their research to combat those diseases.
- We formed a partnership with the American Heart Association to not only focus on assisting our employee-owners with developing and maintaining a heart-healthy lifestyle, but also to improve community programs and awareness to promote healthy hearts.

Military Veterans

- We continue to be committed to the men and women who "stand guard on the wall" to ensure our freedoms.
- In 2010, the Injured Marine Semper Fi Fund was selected as our focused charity for corporate sponsorship. This organization provides support to those who need and deserve our help the most—our wounded warriors and their families. AMERICAN SYSTEMS matched donations made by our employee-owners to the Injured Marine Semper Fi Fund (total of \$25,000).
- We are also involved with Ride 2 Recovery. Ride 2 Recovery is an organization designed to benefit mental and physical rehabilitation of our wounded veterans that features cycling as its core activity. AMERICAN SYSTEMS raised and/or donated over \$5,000 to this organization.
- We recently became involved with Pets 2 Vets. Pets 2 Vets is an all volunteer organization that is assisting our nation's heroes with the long-term effects of Post Traumatic Stress Disorder while saving some of the 40 million pets euthanized at shelters nationwide. AMERICAN SYSTEMS has donated \$1,500 to this organization with hopes of becoming more involved in the future.



Message from the COO

BY PETER SMITH,
CHIEF OPERATING OFFICER

In operating the business, we strive to maximize the value provided to our shareholders.

Two of the biggest drivers of value are top line revenue and bottom line profit. In 2010, AMERICAN SYSTEMS experienced significant top line growth of approximately 19 percent. While all revenue growth is good, not all revenue is created equal. Specifically, direct labor revenue is better than revenue growth derived from material or subcontracts. It is through increased direct labor that we bring in more resources to run the Company, lower our rates, and create opportunities for our employee-owners.

As we moved from 2010 to 2011, we recognized that our top line revenue would, at best, remain constant. The good news was that, while we saw a decrease in material, we also saw an increase in direct labor. Growing the revenue through increasing direct labor has become the principal objective moving into 2011. To this end, AMERICAN SYSTEMS is committed to being the prime contractor on large labor-intensive opportunities. We are challenging our business development professionals to find these opportunities and position AMERICAN SYSTEMS as the contractor of choice in the

eyes of both the government customers and our industry peers. Delivery plays an important role in this as well as it is through continued successful fulfillment of our contracts that we build up our past performance portfolio. This past performance provides the proof that AMERICAN SYSTEMS can deliver on its promises. It is also significant that our recently completed customer satisfaction survey supports the claim that AMERICAN SYSTEMS exceeds customers' expectations by delivering with excellence. In fact, we earned an overall satisfaction rating above 90 percent for the third straight year.

By increasing the bottom line profit, we bring in more resources to fund operations, accomplish acquisitions, and buy back stock from the ESOP. While AMERICAN SYSTEMS performed reasonably well on profit as a percentage of revenue in 2010, we saw this as an area for improvement in 2011. We have asked our Program Managers to monitor their contracts, being mindful of areas where we can create efficiencies while continuing to exceed customer expectations. We also are committed to reducing infrastructure costs by doing more with less while continuing to meet our compliance requirements and governance standards.

By managing the top line revenue and the bottom line profits, we are positioning AMERICAN SYSTEMS to continue a history of increasing value for employee-owners. We know what's at stake. ★

ESOP Performance

BY MARK DANISEWICZ,
CHAIRMAN, ESOP ADMINISTRATIVE COMMITTEE



2010 was another excellent year for AMERICAN SYSTEMS and its employee-owners as our revenue increased nearly 19% and our net income increased approximately 46% over 2009 levels. The solid financial performance of 2010 coupled with strong revenue and earnings potential vaulted our value from \$18.30 per share as of December 31, 2009 to \$21.05 per share as of December 31, 2010, a very respectable 15% increase. Another indication of the Company's success streak is our 2011 mid-year value of \$21.80 per share which is the highest per share value in our 36-year history. In addition to our impressive revenue and profit performance, the Company continues to generate strong cash flow as evidenced by our rock-solid balance sheet.

In 2010, the ESOP made cash distributions of \$7.1 Million to 425 eligible participants and another \$8.2 Million in 2011 to 602 eligible participants. For 2010, the Company contributed AMERICAN SYSTEMS stock to the ESOP valued at \$6.6 Million. This \$6.6 Million equated to 7% of eligible compensation. When combined with approximately \$2.7 Million of forfeitures, the total value of the shares allocated to active participants' accounts for 2010 was \$9.3 Million or 9.9% of eligible compensation. The target contribution for 2011 remains at 7% of eligible compensation, and we estimate another 2.0% of eligible compensation attributable to forfeitures.

The compound annual growth rate (CAGR) of AMERICAN SYSTEMS' stock over the last 10 years is 14.4% compared to the CAGR of the S&P 500 index over the same period of 1.4%. Since becoming a majority-owned ESOP Company in October of 1997, our per share value has increased by over 5.6 times and during that same time period, the ESOP has paid out over \$58 Million in cash distributions to eligible ESOP participants.

As employee-owners, we all should take pride not only in our financial performance as reported above, but also in helping our customers achieve their very important objectives.

We are all well aware of the fiscal challenges that our nation faces and the uncertainty that this creates for companies like AMERICAN SYSTEMS that support our federal government. Due to the fact that our customers are tasked with protecting the citizenry from enemies both foreign and domestic, I am confident that our customers will continue to get adequate funding. I am also confident that as long as we remain committed to great customer service at a fair price, we will be a successful, growing organization.

Congratulations to all of our employee-owners for a terrific 2010, and remember that it's up to all of us to continue the Company's success story into 2011 and beyond. "We know what's at stake." That is, the future achievements of AMERICAN SYSTEMS translate into a more valuable ESOP account for each of us. ★



Corporate Overview

OUR CUSTOMERS AMERICAN SYSTEMS p
Plan is developed around these nation
markets include: Acquisition and Logisti



Managed Services

To reduce day-to-day management costs and optimize our customers' operations, we provide end-to-end managed services, including security, operations, call centers, test and evaluation, and training. Available internationally, our services support operations both on and off customer sites and facilities.

Human Capital Services

We deliver the professional, technical, and administrative talent needed to reduce our customers' costs, increase flexibility and improve responsiveness. Our people advise and assist worldwide customers in developing their plans and programs for the future. We understand the elements required to attract and retain quality personnel who are committed to our customers' missions.

Design and Installation Services

We offer total turnkey support for the customer's network transport layer infrastructure, engineering, and installation requirements. Our engineering and installation services include cable, fiber optics, wireless, equipment integration, Data Center solutions, Telecommunication Systems and security.

provides these services to Strategic Business Areas—critical markets, that are vital to our nation’s core missions. Our Strategic priority markets, as we believe they present strong growth opportunities for existing and new business. These target markets include: C4ISR • Citizen Safety • National Security • Readiness • Energy • Healthcare



Consulting Services

With services in leading-edge technology strategies, process improvement, security, identity management, and CMMI compliance, we solve the challenges inherent in controlling and managing information and protecting corporate assets. Our approach to enterprise consulting means our customers get the best of all worlds—technology subject matter specialists, market leadership, and focused services.

Professional, Technical, and IT Services

Our services include certification and accreditation, requirements analysis, risk assessment and management, readiness training teams, life cycle support, technology transition, and mission systems integration. Many of our program managers are PMI certified and we are ISO 9001:2008 registered.

Custom Solutions

We offer custom solutions that respond to requirements across a wide spectrum of customer needs, both current and anticipated. These solutions include a full suite of software development and large systems integration capabilities, customized training products and training services, custom signal intelligence technology and evaluation solutions and counter IED (Improvised Explosive Devices) solutions.

We know what's at stake.

AMERICAN SYSTEMS has been supporting our nation's priorities since 1975,

and our growth and success over the decades are testament to our employee-owners' continued commitment to their Company, their customers, and their country—because “We know what's at stake.”

Earlier this year, we unveiled this new “catchphrase” to be integrated in all of our marketing initiatives, including advertising and public relations messages.

The new phrase is compelling on several levels, and can be applied to all of our offerings and vertical markets.

As shareholders, all employee-owners have a vested interest in the Company's success as it relates to our ESOP share value. So in that regard, “We know what's at stake.”

As employees who strive to exceed our customers' expectations, we understand the importance of doing our best every day. Because if we live our values and exceed customer expectations, the result is a loyal and returning customer. “We know what's at stake.”

Finally, as citizens, we recognize and take great comfort in knowing that the services we provide as AMERICAN SYSTEMS are vital to the brave men and women who serve our country in the name of freedom.

“We know what's at stake.” ★





BOARD OF DIRECTORS

Donald R. Burklew, Chairman of the Board

William C. Hoover, Vice Chairman

Mark Danisewicz

Patrick C. FitzPatrick

L. Kenneth Johnson

EXECUTIVE MANAGEMENT TEAM

William C. Hoover, President and CEO

Peter Smith, EVP and COO

Mark Danisewicz, EVP and CFO

Christine Braccio, VP, Human Resources

Joseph Kopfman, VP, Contracts and Administration

Brian Neely, VP, CIO, and CTO



An Employee-Owned Company

AmericanSystems.com
14151 Park Meadow Drive
Suite 500
Chantilly, VA 20151-2218
1-800-733-2721
P. 703-968-6300
F. 703-968-5151

