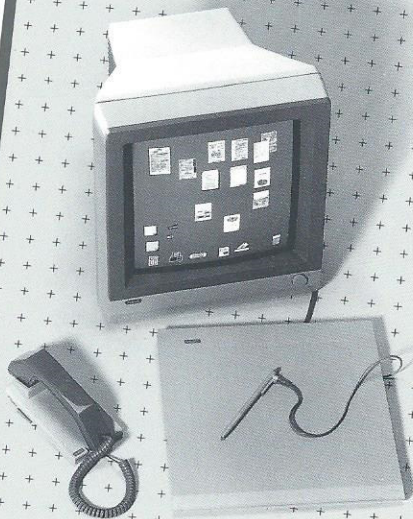


WANG

Managing
100 Percent of
Business Information

Freestyle



2

Wang Laboratories, Inc.

*Six Months
Report to Shareholders
for the period ended
December 31, 1988*

To Our Shareholders:

For the second fiscal quarter which ended December 31, 1988, the Company earned \$1.0 million dollars, or \$.01 per share, on lower-than-anticipated revenue of \$760.7 million.

For the six month period which ended December 31, 1988, net earnings were \$14.1 million, or \$.09 per share. Six month revenue was \$1,483.8 million.

Reduced revenue was the result of sluggish demand in the domestic market, production delays associated with the new VS 5000 series ramp-up, especially in Europe, and lower-than-expected shipments of older products.

Lack of revenue growth for the half year resulted in gross margin levels that were not sufficient to offset the increased development, marketing, and technical training costs incurred as the Company introduced several new products during the period. Expenses also reflected startup costs associated with the Company's new Wang Microsystems Division.

Although results for the first half year are disappointing, we are not discouraged. Product transitions are essentially complete, and the Company expects to finish the fiscal year with higher revenues and earnings than last year.

A significant increase in new orders during the quarter for the Wang Integrated Image Systems (WIIS), from both existing and new customers, indicates a growing acceptance by the marketplace of the Company's imaging technology. Orders for the VS 5000, introduced last July to strengthen our position at the low end, fully met our expectations.

In addition, Wang Freestyle, since its introduction two months ago, has generated a high level of interest and initial orders from more than 50 customers. (Details of this announcement can be found on the back cover of this report.)

Later this month, the Company will formally introduce a new top-of-the-line VS system to strengthen its competitive position at the high end. The market need for this powerful new system is evidenced by the receipt of 68 orders through the end of the second quarter.

During the second quarter, the Company improved its competitive position with several new product introductions.

Condensed Statement of Consolidated Earnings — Subject to year-end audit

(Dollar amounts in millions except per share data)	Fiscal Quarter Ended December 31,		Six Months Ended December 31,	
	1988	1987	1988	1987
Revenue	\$ 760.7	\$ 784.7	\$1,483.8	\$1,477.7
Total costs and expenses	759.1	741.0	1,464.8	1,404.7
Earnings before income taxes	1.6	43.7	19.0	73.0
Provision for income taxes6	9.6	4.9	16.4
Net earnings	\$ 1.0	\$ 34.1	\$ 14.1	\$ 56.6
Net earnings per Class B and Class C Common share	\$.01	\$.21	\$.09	\$.34
Average shares outstanding (000's)	165,329	165,840	165,406	165,895

Condensed Consolidated Balance Sheet

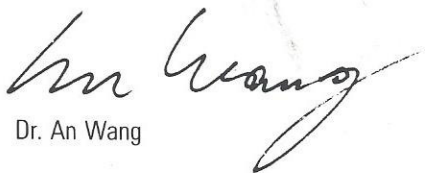
(Dollar amounts in millions)	December 31, 1988	December 31, 1987
Current assets	\$1,254.5	\$1,219.0
Service parts and rental equipment	375.8	386.4
Property, plant and equipment, net	789.2	772.3
Other assets	491.2	430.1
Total assets	\$2,910.7	\$2,807.8
Current liabilities	\$ 803.5	\$ 651.6
Long-term debt	515.2	618.3
Deferred income taxes	5.5	5.8
Total liabilities	1,324.2	1,275.7
Stockholders' equity	1,586.5	1,532.1
Total liabilities and stockholders' equity	\$2,910.7	\$2,807.8

The high end of the PC 200/300 Professional Computer series was extended with the announcement of two new models from the Wang Microsystems Division. Providing IBM PC/AT compatibility, the PC 381 is designed to meet customer requirements in the high-performance business PC market. The PC 382 is positioned for sophisticated graphics and communications applications which require greater performance.

In a move to expand further the market for its industry-leading image products, the Company reached an agreement with AT&T under which the communication links of WIIS will become compatible with Integrated Services Digital Network (ISDN) standards. AT&T's ISDN network promises to increase the volume of data, voice, and image information that can be exchanged between computers, thereby making imaging more widely useable.

The Company has reached the mid-point of its planned three-year turnaround. We are confident that the steps we have taken over the past year to revitalize and enhance our core product line, to educate and develop the market on the benefits and competitive advantages of imaging technology, and to manage our business operations prudently will lead to significant improvements in profitability and growth for the remainder of this fiscal year.

On January 25, 1989, the Board of Directors voted a quarterly dividend of \$.04 per share of Class B Common stock and \$.0275 per share of Class C Common stock. Both dividends will be paid on May 2, 1989 to shareholders of record on March 24, 1989.



Dr. An Wang



Frederick A. Wang

January 25, 1989

WANG BREAKS NEW GROUND WITH FREESTYLE PERSONAL COMPUTING SYSTEM

On November 2, 1988, Wang unveiled a revolutionary computer product that allows users to create a replica of their desks on a PC screen and is as easy to use as a pencil or telephone.

With Wang Freestyle™, paper can be scanned into the system and moved, filed, stapled, unstapled, or enlarged for review and further comment. Free-style runs on industry-standard personal computers.

Featuring an electronic stylus, tablet, and telephone-like handset, Freestyle enables users to create handwritten notes and synchronized voice messages, combine them with electronic pages of data displayed on their PCs, and send the entire package via Wang OFFICE to other similarly equipped systems. Documents with written or typed notes can also be sent from a Freestyle system to a FAX machine, and incoming FAXs can be converted into Freestyle document images.

For example, a user can receive a contract authorization via FAX directly onto a Freestyle screen; add handwritten, typed, and spoken comments; include other pertinent information from his or her Freestyle desk; and forward the package to others in the approval cycle.

Freestyle users whose PC is part of a Wang Integrated Image Systems (WIIS) installation can use an electronic file cabinet within WIIS to store and retrieve Freestyle pages, complete with written or typed notes. WIIS are designed for capturing, storing, retrieving, and sharing large volumes of paper-based information in image form and making that information accessible to users at their own desks.

Manufacturing, government, financial services, and professional services top the list of major target markets for Wang Freestyle.

Pricing begins at about \$2,000 for an entry-level set consisting of a Freestyle tablet, stylus, and related interface hardware and software. A full Freestyle system including an 8-slot PC, high resolution monitor, stylus, tablet, and related hardware and software, as well as FAX and voice options, is priced at approximately \$12,000.