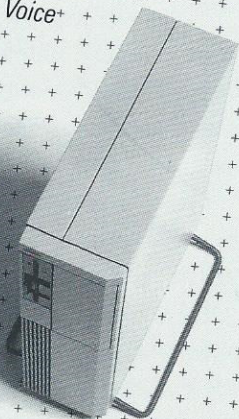


WANG

Managing
100 Percent of
Business Information

Image

Voice



Data

Text

1

Wang Laboratories, Inc.

*Three Months
Report to Shareholders
for the period ended
September 30, 1988*

To Our Shareholders:

Wang Laboratories reported modest revenue growth and completed seven consecutive quarters of profitability for the first quarter of Fiscal 1989, in spite of sluggish demand within the domestic marketplace.

Revenues for the first fiscal quarter, which ended September 30, 1988, were \$723.1 million, an increase of 4% over last year's first quarter revenues of \$693.0 million. The Company reported net earnings of \$13.1 million, or \$.08 per share, compared to \$22.5 million, or \$.14 per share a year ago.

International revenue grew approximately 11 percent, while lagging domestic demand resulted in flat revenue in the United States. Gross margins remained firm, but the costs of recent product introductions and associated marketing programs are reflected in decreased earnings for the quarter.

During the quarter, the Company introduced the VS 5000, the first of several major introductions planned for this fiscal year to broaden the range of our VS minicomputer series.

The VS 5000 focuses on the low-end and mid-range minicomputer market, the most competitive segment for Wang. We are encouraged by the strong reception given this product by both existing customers and prospects. With a base price of \$8,800, the VS 5000 systems are more powerful yet less expensive than comparable systems from International Business Machines Corporation (IBM) and Digital Equipment Corporation (DEC). Details of this announcement can be found on the back cover of this report.

Wang continued to enlarge the market for the Wang Integrated Image Systems (WIIS) by expanding its industry-leading array of imaging applications with the announcement of fourteen additional software packages developed by third-party vendors. The Company now offers over thirty WIIS applications to help organizations implement easy-to-use image solutions in a cost effective manner.

The use of image technology is conceptually new, as opposed to simply a larger or faster computer system, and it will affect the basic business practices of industry and government. We have recorded a significant increase in requests for proposals during the quarter although purchase decision cycles are necessarily longer and more complex.

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

(Dollar amounts in millions except per share data)	Fiscal Quarter Ended September 30,	
	1988	1987
Revenue	\$723.1	\$693.0
Total costs and expenses	705.7	663.7
Earnings before income taxes	17.4	29.3
Provision for income taxes	4.3	6.8
Net earnings	\$ 13.1	\$ 22.5
Net earnings per Class B and Class C Common Share	\$.08	\$.14
Average shares outstanding (000's)	165,483	165,951

Condensed Consolidated Balance Sheet

(Dollar amounts in millions)	September 30, 1988	September 30, 1987
Current assets	\$1,135.5	\$1,226.2
Service parts and rental equipment	367.5	377.5
Property, plant and equipment, net	770.1	757.6
Other assets	488.7	413.1
Total assets	\$2,761.8	\$2,774.4
Current liabilities	\$ 670.4	\$ 609.0
Long-term debt	503.6	661.5
Deferred income taxes	5.1	5.3
Total liabilities	1,179.1	1,275.8
Stockholders' equity	1,582.7	1,498.6
Total liabilities and stockholders' equity	\$2,761.8	\$2,774.4

This increasing interest in imaging technology, together with our growing base of installed systems and available applications, should give the Company a number one position in this market by the end of this Fiscal year.

Although competition from minicomputer and workstation suppliers remains strong, the product and marketing strategies we have in place for our general-purpose computer business will increase our competitive position during Fiscal 1989.

On October 25, 1988, 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 January 31, 1989, to shareholders of record on December 9, 1988.

A handwritten signature in black ink, appearing to read "An Wang". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Dr. An Wang

A handwritten signature in black ink, appearing to read "Frederick A. Wang". The signature is more formal and includes a horizontal line underneath the name.

Frederick A. Wang

October 25, 1988

WANG INTRODUCES VS 5000 SERIES

On July 26, 1988, the Company announced the VS 5000, a series of four low-cost minicomputers based on a single high-performance microprocessor. The VS 5000 systems, designed for small businesses, corporate departments, and distributed offices in large enterprises, sets new information processing standards for price, performance and breadth of applications, including integrated imaging and UNIX.

Within the VS product family, Wang has lowered the price of an entry-level VS by 32 percent while increasing the power four-fold. The VS 5000 also allows Wang to lower by at least 20 percent the entry price for the Wang Integrated Image Systems (WIIIS), Wang's industry-leading product for imaging.

Wang also offers a choice of operating systems. For the first time, the Company is offering native-mode VS IN/ix, an AT&T UNIX System V-compliant operating system for the VS, as well as Wang's VS operating system, with its unique architectural ability to integrate data, text, image, and voice on the same system.

Thus, the VS 5000 systems currently support a large portfolio of software solutions. These include nearly 2,000 VS and 600 UNIX applications for users in such diverse industries as banking, manufacturing, and government, as well as dozens of Wang integrated information processing applications, including Wang OFFICE, PACE and WP Plus. The attractive price and performance of the VS 5000 is also expected to provide the catalyst for many new industry-specific applications by third-party software development firms and value-added resellers worldwide.

The VS 5000 series consists of four base units — models 30, 40, 50, and 60 — with respective maximum capacities of six, sixteen, thirty-two, and sixty-four active users. The single-board central processing unit (CPU) can be housed in either a five-slot desktop cabinet that is physically smaller than a personal computer, or a 10-slot, pedestal-mounted desktide cabinet.

All of the more than seventy packaged system configurations available are easy to install and operate, allowing customers to load software and begin using the system quickly. Prices for the VS 5000 system packages range from \$8,800 to \$113,000.