

Annual Report  
1976

# Wang Laboratories, Inc.

# Wang Laboratories, Inc.

## Directors and Management

### BOARD OF DIRECTORS

An Wang, Chairman of the Board and President  
Peter A. Brooke, Partner, T. A. Associates  
Ge Yao Chu, Senior Vice President  
Charles E. Goodhue, III, Partner, Goodwin, Procter & Hoar  
James C. Hodge, Director, The Warner & Swasey Company  
Martin Kirkpatrick, Partner, Fish & Richardson  
Ernest F. Stockwell, Jr., President, Bay Bank Harvard Trust Company

### MANAGEMENT

#### Corporate Officers

An Wang, President  
Ge Yao Chu, Senior Vice President  
Ned Chang, Senior Vice President  
Harry H. S. Chou, Senior Vice President and Treasurer  
Chauncey C. Chu, Senior Vice President  
John F. Cunningham, Senior Vice President  
Gerald E. Jones, Senior Vice President  
Edward D. Grayson, Vice President, General Counsel and Secretary  
Charles E. Goodhue, III, Clerk

#### North American Sales

John F. Cunningham, Senior Vice President  
Robert L. Doretti, Vice President and Director Eastern Area  
Joseph P. Grant, Vice President and Director Central Area  
Eugene L. Shugoll, Vice President and Director Southern Area  
Charles D. Kempton, Director Western Area

#### European and Middle Eastern Sales

Johannes Spanjaard, Vice President

#### Latin American, Pacific and African Sales

Theodore J. Goodlander, Vice President

#### Manufacturing

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Warren J. Hayes, Vice President, Manufacturing Planning

#### Development Center

An Wang, President and Director of Development  
Ge Yao Chu, Senior Vice President  
Ned Chang, Senior Vice President, Marketing  
Richard Hebert, Vice President, Customer Engineering  
Robert S. Kolk, Vice President  
Harold S. Koplrow, Vice President  
Norman M. Lourie, Vice President  
Harry A. Rothmann, Vice President  
Ralph A. Crusius, Assistant to President

#### Finance and Administration

Harry H. S. Chou, Senior Vice President, Treasurer and Controller  
Theda E. McGrath, Vice President, Personnel  
Martin A. Miller, Assistant Treasurer

#### Transfer Agent and Registrar

The First National Bank of Boston

#### Auditors

Ernst & Ernst, Boston, Massachusetts

#### Legal Counsel

Goodwin, Procter & Hoar, Boston, Massachusetts

#### Listing

American Stock Exchange



Wang Laboratories Inc.  
Annual Report  
1976

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# To Our Stockholders:

**C**In Fiscal 1976, the Company completed its 25th Anniversary Year. Orders for our products broke all previous records and exceeded \$100 million. Financial results were gratifying. In every sense, the Company has emerged as a primary multinational manufacturer of computer systems.

Comparing figures of last year, sales of the Company's products were up 28% to \$96.8 million. Net income per share increased 89% to \$1.21, and pre-tax income was up 126% to over \$10 million.

It is gratifying to report all these new records which have been achieved by the Company in its 25th year. It is appropriate, however, to look to groups within our organization and recognize their individual contributions which made these results possible.

**C**ur 267 sales and 659 service support personnel in North America continued the post recessionary growth commenced in the fourth quarter of Fiscal '75 and recorded strong gains. Demand for the Company's primary computer lines, the System 2200 and the WCS, continued to increase as the lines were broadened. Applications are continually expanded both by internal efforts and through arrangements with outside vendors.

We have directed more attention to major and multinational companies, with greater potential for larger multisystem installations. Initial success was achieved in Fiscal 1976, and we look for strong gains with these companies in Fiscal 1977.

The price of our most popular system now averages \$20,000, and the number of multiple systems installations is increasing considerably.

**C**ur international sales continued to grow, and we see this entire seg-

ment of our business as both expanding and challenging. Within the European area an intermediate management support level has been implemented. Until recently, overseas sales were concentrated in Europe, however, we now have more wholly-owned subsidiaries outside of Europe than we do in Europe. As with all challenges and opportunities, international sales involve risks, paramount of which in recent years has been the wildly fluctuating international currencies. In 1976, through increased management and controls, we were able to maintain stable currency positions and show a modest exchange gain of \$72,000.

During 1976, our manufacturing operations produced over \$100 million worth of products, representing a 33% increase in production, with only a 15% increase in employees. We were also able to improve our high quality standards. Most significantly, increased controls have reduced manufacturing inventories \$4.7 million below the level of 1974, the year our sales totaled only \$64 million.

Again in Fiscal 1976, our development group designed significant and innovative new computer products, peripherals, and applications software. New products included a Portable Computing System (PCS), a medium speed dot matrix printer, an advanced drum plotter, and the new CRT-based Word Processing Systems (WPS). Development of both hardware and software is discussed more fully in the Business Section on pages 20 through 24 of this report.

Perhaps the most important and rewarding results were achieved in the area of financial controls. In addition to the 126% increase in pre-tax profit, the Company has since 1974 increased its business

over 50% while its total inventory levels and total borrowings, excluding real estate mortgages, have remained nearly constant. Growth has been financed internally, and the Company's banking relationships have been strengthened.

On October 31, 1975, the Company acquired an 80,000 sq. ft. facility in Burlington, Massachusetts, primarily for the expanded operations of its Data Center. The Center operates the largest computer service facility in New England and is well advanced in its technical expertise.

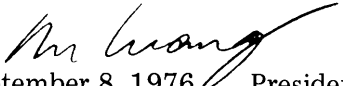
As with any organization, our backbone remains our people. The Company offers a broad range of incentive-based benefit programs. We pride ourselves in a near perfect record with regard to OSHA standards, and we also maintain a sound affirmative action program.

In April of 1976, after the Special Stockholders Meeting approved a new class of higher dividend Class B Common Stock, the Company paid a stock dividend of one-fourth share of Class B Common Stock for each share of Common Stock.

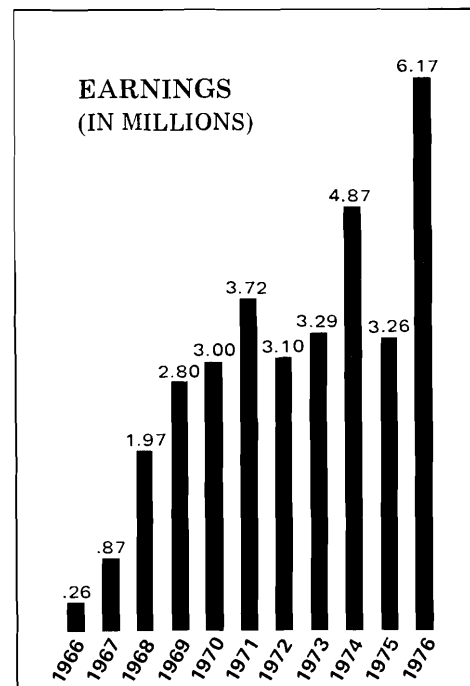
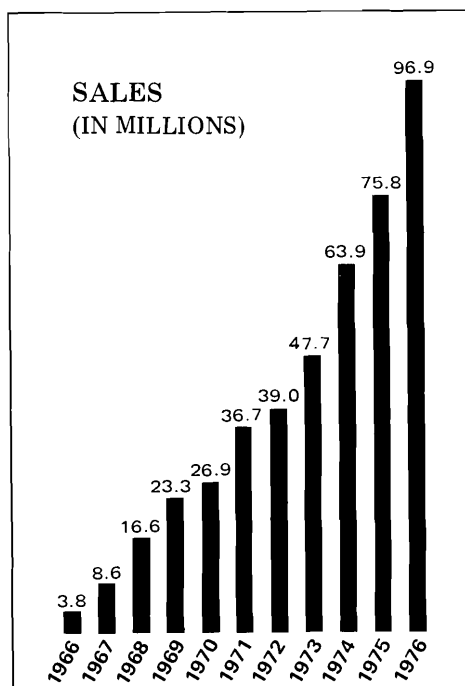
Again in 1976, the Company increased its dividends.

As the Company enters Fiscal 1977, we will move our administrative, research and development, and corporate staffs to a 273,000 sq. ft. facility recently purchased in Lowell, Massachusetts. This will open up valuable space in our Tewksbury facility to accommodate expanding manufacturing and field service operations.

We are optimistic that Fiscal 1977 will be another successful year for the Company.

  
September 8, 1976 President and  
Chairman

# Ten Years in Review



	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
Net sales and service revenues . . . . .	\$96,856,000	\$75,828,000	\$63,877,000	\$47,704,000

Costs and expenses:

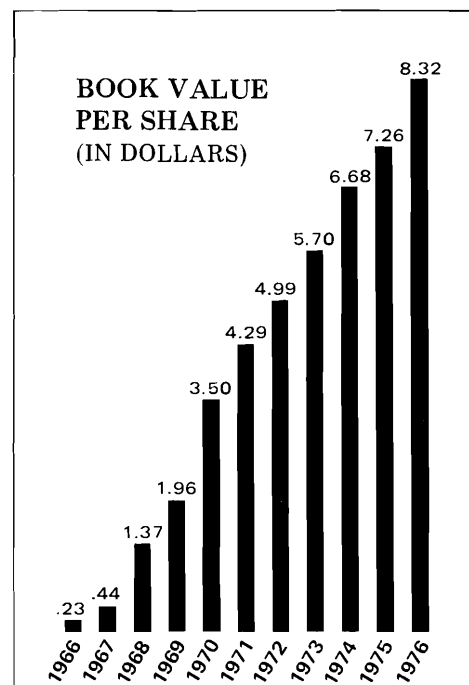
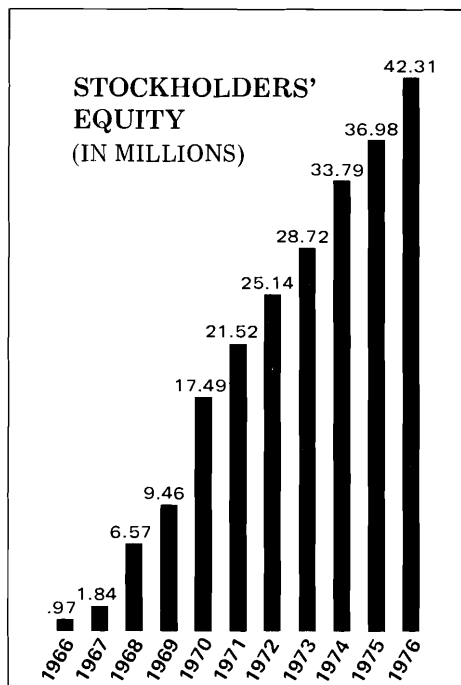
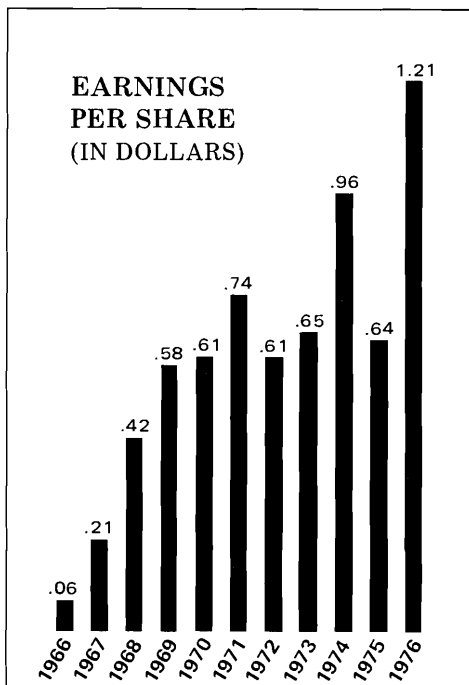
Cost of products and services sold . . . . .	45,849,000	37,404,000	29,115,000	21,947,000
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	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
Net sales and service revenues . . . . .	\$96,856,000	\$75,828,000	\$63,877,000	\$47,704,000

Costs and expenses:

Cost of products and services sold . . . . .	45,849,000	37,404,000	29,115,000	21,947,000
Research and development expenses . . . . .	4,263,000	3,348,000	2,092,000	1,781,000
Selling, general and administrative expenses . . . . .	34,243,000	27,859,000	21,758,000	17,990,000
Interest . . . . .	<u>2,429,000</u>	<u>2,762,000</u>	<u>2,093,000</u>	<u>647,000</u>
	<u>86,784,000</u>	<u>71,373,000</u>	<u>55,058,000</u>	<u>42,365,000</u>

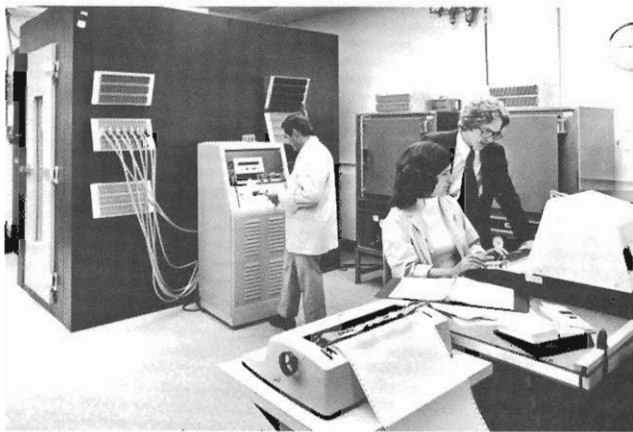
Earnings before Federal and foreign income taxes . . . . .	10,072,000	4,455,000	8,819,000	5,339,000
Provision for Federal, state and foreign income taxes . . . . .	<u>3,900,000</u>	<u>1,200,000</u>	<u>3,950,000</u>	<u>2,046,000</u>
Net earnings . . . . .	<u>\$ 6,172,000</u>	<u>\$ 3,255,000</u>	<u>\$ 4,869,000</u>	<u>\$ 3,293,000</u>



1972	1971	1970	1969	1968	1967	1966
\$39,049,000	\$36,731,000	\$26,943,000	\$23,263,000	\$16,647,000	\$ 8,632,000	\$ 3,781,000
17,668,000	17,408,000	11,628,000	10,023,000	7,908,000	4,754,000	2,274,000
1,613,000	918,000	485,000	520,000	211,000	108,000	56,000
13,960,000	11,024,000	8,791,000	6,765,000	3,949,000	1,972,000	911,000
204,000	170,000	140,000	114,000	28,000	87,000	24,000
<u>33,445,000</u>	<u>29,520,000</u>	<u>21,044,000</u>	<u>17,422,000</u>	<u>12,096,000</u>	<u>6,921,000</u>	<u>3,265,000</u>
5,604,000	7,211,000	5,899,000	5,841,000	4,551,000	1,711,000	516,000
2,500,000	3,490,000	2,897,000	3,039,000	2,577,000	843,000	252,000
<u>\$ 3,104,000</u>	<u>\$ 3,721,000</u>	<u>\$ 3,002,000</u>	<u>\$ 2,802,000</u>	<u>\$ 1,974,000</u>	<u>\$ 868,000</u>	<u>\$ 264,000</u>
<u>\$ .61</u>	<u>\$ .74</u>	<u>\$ .61</u>	<u>\$ .58</u>	<u>\$ .42</u>	<u>\$ .21</u>	<u>\$ .06</u>
5,051,091	5,022,191	4,904,573	4,831,950	4,689,090	4,154,975	4,085,325

Prior year amounts have been reclassified for purposes of comparison with 1976

# Product Applications and Corporate Activities



Top right: Pictured at the Company's new Burlington, Mass. facility are senior personnel of the three groups located in the building: 1 to r are Richard W. Knorr, (Training); Dennis J. Shepard, V.P. Richard A. Hebert, and Louis N. Fick (Customer Engineering); and Kevin C. Sweeney (Data Center).

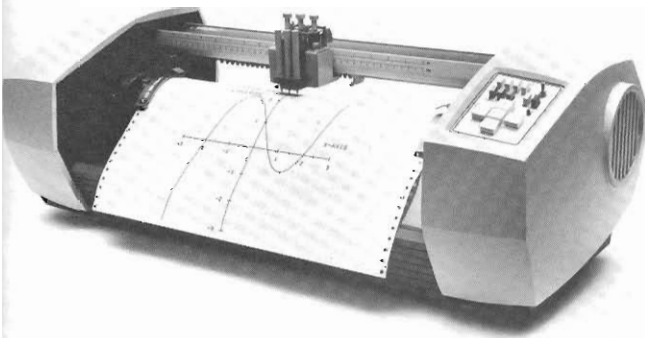
Top left: A portion of the Data Center's computer floor shows the main computer disk and tape drives.

Center left: Tom Kuder, of Medtronics, Inc., Minneapolis, Minn., and two assistants monitor a Wang System 2200 computer which analyzes and evaluates the performance and reliability of power sources for cardiac pacemakers.

Lower left: Paul Gibbons, Manager of Christy & Thomson, Framingham, Mass. auto parts jobber, relies upon a Wang SPARK system to control his inventory of 50,000 automotive replacement parts.

Lower center and right: The Wang representative in Finland, OY Findip AB, helped the Finnish Aeronautical Association computerize the results of the 15th World Gliding Championships using a System 2200. The center photo shows Richard Butler of the U.S. in his special Glasfugel 1/604 glider being spot checked; and the photo at right shows the on-site "computer cabin".





Upper left: The Company's most powerful system, a multiprocessing WCS 30 including four work stations and a Wang designed and developed 200 CPS printer, all fully compatible with nine-track magnetic tape for massive off-line file storage.

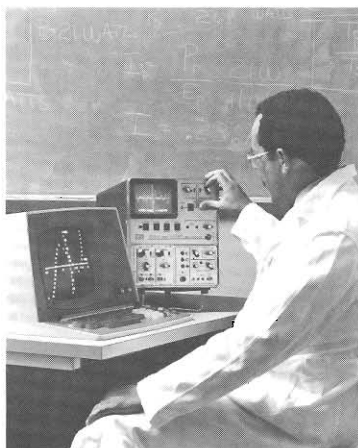
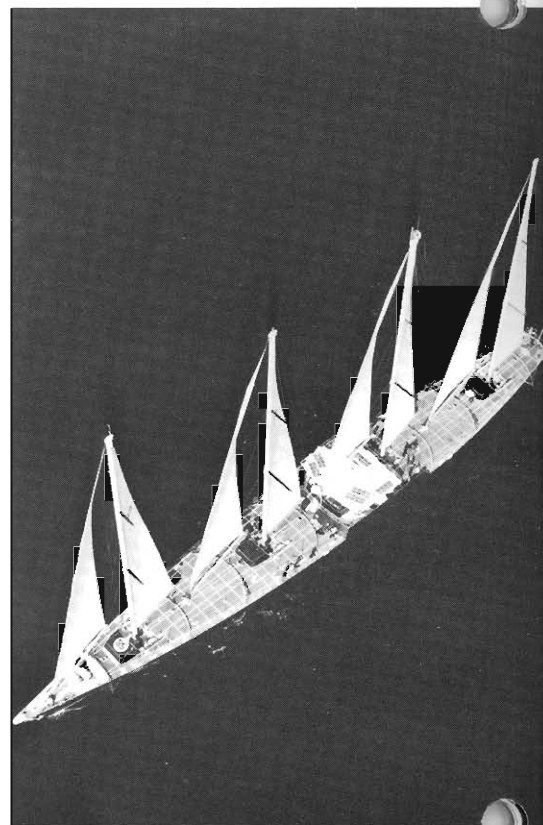
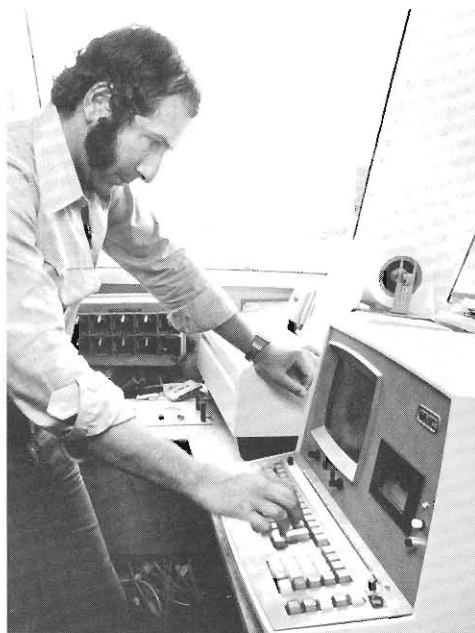
Upper center: Pharmacist Bill Cross of Memphis' Lillard's Pharmacy, reviews patients' drug profiles on the visual display of a Wang System 2200. The pharmacy estimates that without the system it would need ten bookkeepers to accomplish the paper work.

Upper right: Ralph A. Crusius, Assistant to the President, reviews "hard copy" of customer information produced by a Wang Model 2231W high speed printer.

Lower left: The Wang Model 2272 Digital Drum Plotter, first introduced in March 1976, provides point plotting, continuous line plotting and fully automatic alphanumeric lettering capability to the System 2200.

Lower right: The Company's intramural baseball teams compete on the new field constructed at the Tewksbury facility.

# Product Applications and Corporate Activities (Continued)



*Upper left: Home office personnel, l to r, Carol A. Cook, Clifford Castle, Rosallie Papoutsy, and William H. Sawyer develop applications around the System 2200.*

*Upper center: Alain Colas at the "controls" of Wang France's System 2200 which monitored the "vital signs" of his ship and the surrounding environment, as he sailed*

*the 236 ft. four-masted schooner "Club Mediterranée" across the Atlantic in the single handed yacht race (upper right).*

*Lower left: A Wang System 2200 is shown acquiring and analyzing "on line" electronic wave-form data from a digital oscilloscope.*

*Lower center: Sara Gross and David Moros, Wang Development Center, go over statistical calculations developed on a Wang System 2200.*

*Lower right: The Company's most powerful new CRT-based Word Processing System, the Model WPS 30, complete with disk storage for 4,000 pages and a 480-wpm letter-quality printer.*

# Accountants' Report

Board of Directors  
Wang Laboratories, Inc.  
Tewksbury, Massachusetts

We have examined the consolidated balance sheet of Wang Laboratories, Inc. and consolidated subsidiaries as of June 30, 1976 and June 30, 1975, and the related statements of consolidated earnings, changes in stockholders' equity, and changes in consolidated financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Wang Laboratories, Inc. and consolidated subsidiaries at June 30, 1976 and June 30, 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Ernst & Ernst*

Boston, Massachusetts  
July 30, 1976

Wang Laboratories, Inc.

# Wang Laboratories, Inc. and Consolidated Subsidiaries

## Consolidated Balance Sheets

### June 30, 1976 and 1975

ASSETS	1976	1975
<b>Current Assets</b>		
Cash . . . . .	\$ 3,062,000	\$ 2,988,000
Accounts receivable, less allowances (\$1,454,000 in 1976 and \$873,000 in 1975) for doubtful accounts . . . . .	28,415,000	23,957,000
Inventories:		
Finished products . . . . .	9,203,000	8,108,000
Field service parts and assemblies . . . . .	11,055,000	9,211,000
Work in process and subassemblies . . . . .	2,990,000	3,043,000
Raw materials . . . . .	<u>5,879,000</u>	<u>6,259,000</u>
	29,127,000	26,621,000
Prepaid expenses . . . . .	<u>831,000</u>	<u>686,000</u>
<b>TOTAL CURRENT ASSETS</b>	<b>61,435,000</b>	<b>54,252,000</b>
<b>Other Assets</b>		
Equity in Wang Financial Corporation . . . . .	1,604,000	2,423,000
Rental equipment, less accumulated depreciation (\$3,187,000 in 1976 and \$1,793,000 in 1975) . . . . .	5,382,000	4,192,000
Miscellaneous . . . . .	<u>1,328,000</u>	<u>1,203,000</u>
	8,314,000	7,818,000
<b>Property, Plant and Equipment</b>		
Land and buildings . . . . .	9,607,000	7,401,000
Plant machinery and equipment . . . . .	<u>6,682,000</u>	<u>5,672,000</u>
	16,289,000	13,073,000
Less accumulated depreciation . . . . .	<u>4,573,000</u>	<u>3,656,000</u>
	11,716,000	9,417,000
Rental equipment, less accumulated depreciation (\$3,187,000 in 1976 and \$1,793,000 in 1975) . . . . .	5,382,000	4,192,000
Miscellaneous . . . . .	<u>1,328,000</u>	<u>1,203,000</u>
	8,314,000	7,818,000
<b>Property, Plant and Equipment</b>		
Land and buildings . . . . .	9,607,000	7,401,000
Plant machinery and equipment . . . . .	<u>6,682,000</u>	<u>5,672,000</u>
	16,289,000	13,073,000
Less accumulated depreciation . . . . .	<u>4,573,000</u>	<u>3,656,000</u>
	11,716,000	9,417,000
Demonstration and service equipment, less accumulated depreciation (\$5,642,000 in 1976 and \$4,267,000 in 1975) . . . . .	<u>8,413,000</u>	<u>6,278,000</u>
	<u>20,129,000</u>	<u>15,695,000</u>
	<u><u>\$89,878,000</u></u>	<u><u>\$77,765,000</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	1976	1975
<b>Current Liabilities</b>		
Notes payable to banks . . . . .	\$ 2,849,000	\$ 5,050,000
Accounts payable . . . . .	8,885,000	6,951,000
Compensation and amounts withheld therefrom . . . . .	3,987,000	2,680,000
Customers' deposits and prepayments . . . . .	291,000	312,000
Taxes, other than income taxes . . . . .	762,000	355,000
Income taxes . . . . .	2,626,000	754,000
Dividends payable to stockholders . . . . .	153,000	
Portion of long-term debt due within one year . . . . .	<u>254,000</u>	<u>79,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>19,807,000</b>	<b>16,181,000</b>
 <b>Long-Term Debt, less current portion . . . . .</b>	 <b>25,930,000</b>	 <b>21,889,000</b>
 <b>Deferred Income Taxes . . . . .</b>	 <b>1,830,000</b>	 <b>2,714,000</b>
 <b>Stockholders' Equity</b>		
Preferred Stock, par value \$1.00 per share: Authorized 6,000,000 shares; none issued		
Common Stock, par value \$.50 per share: Authorized 10,000,000 shares; issued 4,105,277 in 1976 and 4,090,548 in 1975 . . . . .	   <b>2,053,000</b>	   <b>2,045,000</b>
Class B Common Stock, par value \$.50 per share: Authorized 10,000,000 shares; issued 1,024,796 . . . . .	  <b>512,000</b>	
Capital in excess of par value . . . . .	<b>7,952,000</b>	<b>8,496,000</b>
Retained earnings . . . . .	<u><b>32,293,000</b></u>	<u><b>26,580,000</b></u>
	<b>42,810,000</b>	<b>37,121,000</b>
Less cost of capital stocks in treasury (33,523 shares of Common Stock and 9,265 shares of Class B Common Stock in 1976, and 12,757 shares of Common Stock in 1975) . . . . .	   <u><b>499,000</b></u>	   <u><b>140,000</b></u>
	<b>42,311,000</b>	<b>36,981,000</b>
	<u><u><b>\$89,878,000</b></u></u>	<u><u><b>\$77,765,000</b></u></u>

*The accompanying notes are an integral part of the consolidated financial statements.*

# Wang Laboratories, Inc. and Consolidated Subsidiaries

## Statement of Consolidated Earnings

### Years Ended June 30, 1976 and 1975

	1976	1975
<b>Revenues:</b>		
Net sales and service revenues . . . . .	\$90,980,000	\$71,235,000
Rental income . . . . .	5,713,000	4,290,000
Other income . . . . .	<u>163,000</u>	<u>303,000</u>
	<b>96,856,000</b>	<b>75,828,000</b>
 <b>Costs and expenses:</b>		
Cost of products and services sold . . . . .	45,849,000	37,404,000
Research and development . . . . .	4,263,000	3,348,000
Selling, general and administrative . . . . .	34,243,000	27,859,000
Interest . . . . .	<u>2,429,000</u>	<u>2,762,000</u>
	<b><u>86,784,000</u></b>	<b><u>71,373,000</u></b>
 <b>EARNINGS BEFORE INCOME TAXES</b>		
	<b>10,072,000</b>	<b>4,455,000</b>
Provision for income taxes . . . . .	<u>3,900,000</u>	<u>1,200,000</u>
	<b><u>NET EARNINGS</u></b>	<b><u>\$ 3,255,000</u></b>
 <b>NET EARNINGS</b>		
	<b><u>\$ 6,172,000</u></b>	<b><u>\$ 3,255,000</u></b>
 <b>Net earnings per share based upon weighted average shares of Common Stock and Class B Common Stock outstanding . . . . .</b>		
	<b><u>\$1.21</u></b>	<b><u>\$.64</u></b>

*Certain reclassifications have been made to 1975 amounts for purposes of comparison.  
The accompanying notes are an integral part of the consolidated financial statements.*

# Wang Laboratories, Inc. and Consolidated Subsidiaries

## Statement of Changes in Stockholders' Equity

### Years Ended June 30, 1976 and 1975

	Common Stock Par Value \$.50 Per Share	Class B Common Stock Par Value \$.50 Per Share	Capital in Excess of Par Value	Retained Earnings	Less Cost of Common Stocks in Treasury	Total Stockholders' Equity
Balance at July 1, 1974	\$2,031,000		\$8,319,000	\$23,650,000	\$208,000	\$33,792,000
Net earnings				3,255,000		3,255,000
Cost of 18,565 shares of Common Stock purchased					189,000	( 189,000)
Fair market value of 13,061 shares of Common Stock transferred to Employees Stock Bonus Plan			( 9,000)		( 169,000)	160,000
Fair market value of 37,305 shares of Common Stock issued in connection with Employees Stock Purchase Plan	14,000		186,000		( 88,000)	288,000
Cash dividend paid (\$.08 per Common share)				( 325,000)		( 325,000)
<b>Balance at June 30, 1975</b>	<u>2,045,000</u>		<u>8,496,000</u>	<u>26,580,000</u>	<u>140,000</u>	<u>36,981,000</u>
Net earnings				6,172,000		6,172,000
Cost of 51,328 shares of Common Stock and 2,654 shares of Class B Common Stock purchased					775,000	( 775,000)
Proceeds from exercise of employee stock options			( 1,000)		( 48,000)	47,000
Fair market value of 7,467 shares of Common Stock transferred to Employees Stock Bonus Plan			46,000		( 74,000)	120,000
Fair market value of 39,648 shares of Common Stock issued in connection with Employees Stock Purchase Plan	8,000		61,000		( 294,000)	363,000
Class B Common Stock dividend declared, including related expenses of \$117,000		\$512,000	( 650,000)			( 138,000)
Cash dividends declared (\$.10 per Common share and \$.05 per Class B Common share)				( 459,000)		( 459,000)
<b>Balance at June 30, 1976</b>	<u>\$2,053,000</u>	<u>\$512,000</u>	<u>\$7,952,000</u>	<u>\$32,293,000</u>	<u>\$499,000</u>	<u>\$42,311,000</u>

The accompanying notes are an integral part of the consolidated financial statements.

# Wang Laboratories, Inc. and Consolidated Subsidiaries

## Statement of Changes in Consolidated Financial Position

### Years Ended June 30, 1976 and 1975

	1976	1975
<b>Source of Funds</b>		
Net earnings . . . . .	\$ 6,172,000	\$ 3,255,000
Provision for depreciation and amortization . . . . .	5,106,000	3,792,000
Decrease in deferred income taxes . . . . .	( 884,000)	( 555,000)
Other . . . . .	( 117,000)	463,000
<b>Total from Operations</b>	<b>10,277,000</b>	<b>6,955,000</b>
Additional long-term debt, less \$10,000,000 refinanced in 1975 . . . . .	4,366,000	10,598,000
Proceeds from sale of Common Stock to employees . . . . .	410,000	288,000
Fair market value of Common Stock contributed to Employees Stock Bonus Plan . . . . .	120,000	160,000
Advances from unconsolidated finance subsidiary . . . . .	819,000	1,714,000
	<u>15,992,000</u>	<u>19,715,000</u>
<b>Use of Funds</b>		
Additions to property, plant and equipment . . . . .	7,709,000	5,694,000
Additions to rental equipment . . . . .	3,021,000	2,258,000
Repayment of long-term debt . . . . .	325,000	83,000
Purchase of treasury stock . . . . .	775,000	189,000
Cash dividends paid (including fractional shares of Class B Common Stock) . . . . .	480,000	325,000
Increase in other assets . . . . .	125,000	118,000
	<u>12,435,000</u>	<u>8,667,000</u>
<b>Increase in Working Capital . . .</b>	<b><u>\$ 3,557,000</u></b>	<b><u>\$11,048,000</u></b>
<b>Components of Increase in Working Capital</b>		
Increase (decrease) in current assets:		
Cash . . . . .	\$ 74,000	\$ 387,000
Accounts receivable . . . . .	4,458,000	3,658,000
Inventories . . . . .	2,506,000	( 864,000)
Prepaid expenses . . . . .	145,000	( 135,000)
	<u>7,183,000</u>	<u>3,046,000</u>
Increase (decrease) in current liabilities:		
Notes payable to banks . . . . .	( 2,201,000)	( 8,903,000)
Accounts payable . . . . .	1,934,000	621,000
Compensation and amounts withheld therefrom . . . . .	1,307,000	39,000
Customers' deposits and prepayments . . . . .	( 21,000)	( 31,000)
Taxes, other than income taxes . . . . .	407,000	207,000
Income taxes . . . . .	1,872,000	39,000
Dividends payable to stockholders . . . . .	153,000	
Portion of long-term debt due within one year . . . . .	175,000	26,000
	<u>3,626,000</u>	<u>( 8,002,000)</u>
<b>Increase in Working Capital</b>	<b><u>\$ 3,557,000</u></b>	<b><u>\$11,048,000</u></b>

The accompanying notes are an integral part of the consolidated financial statements.



# Wang Laboratories, Inc. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

### Years Ended June 30, 1976 and 1975

#### Note A — Significant Accounting Policies

*Principles of Consolidation* — The consolidated financial statements include the accounts of the Company and all of its subsidiaries except Wang Financial Corporation, a wholly-owned finance subsidiary. The Company accounts for its investment in Wang Financial Corporation by use of the equity method (Note B). Upon consolidation, all significant intercompany accounts, transactions and profits have been eliminated.

*Translation of Foreign Currencies* — Commencing in fiscal 1976, current assets, excluding inventories, and liabilities of foreign subsidiaries are translated into U.S. dollar equivalents at the rates of exchange in effect at the close of the respective period. All other assets are translated at historical rates of exchange. Revenue and expense accounts are translated at a weighted average of exchange rates in effect during the period except that accounts related to balance sheet items translated at historical rates are translated at the same historical rates. The Company previously used the current-noncurrent method of translation; the effect of the change was not material.

Exchange adjustments are included in earnings as they occur. Gain or loss on unperformed forward exchange contracts is accrued based upon the rates of exchange in effect at the close of the period and is included in exchange adjustments.

*Inventories* — Inventories are stated at cost, first-in, first-out method, not in excess of net realizable value.

*Property, Plant and Equipment and Rental Equipment* — These assets are carried at cost less accumulated depreciation and amortization, provisions for which have been computed using double-declining balance and straight-line methods at rates necessary to extinguish such costs over estimated useful lives.

*Equipment Leased to Customers* — Leases which provide for the recovery of the normal selling price of the leased equipment over the initial term of the leases (full pay-out leases) are accounted for as sales upon shipment of the equipment to customers. Financing income is earned according to the "rule of 78's" which results in a level rate of return on investment. The Company transfers all full pay-out leases and customer lease deposits to Wang Financial Corporation (Note B). Leases which do not result in the recovery of the normal selling price of the equipment over the initial term of the leases are accounted for as rentals. Accordingly, rental income is included in revenues as earned and the cost of the equipment is amortized over the estimated useful life of seven years by use of the double-declining balance method.

*Income Taxes* — The provision for income taxes includes amounts currently payable and deferred income taxes arising primarily from different tax accounting for full pay-out leases. Investment credits (including

investment credits on leased equipment accounted for as sales) are reflected in earnings as they are realized (the flow-through method).

*Earnings per Share* — Earnings per share have been computed based on the weighted average number of Common and Class B Common shares outstanding during the respective years, adjusted for the effect of the stock split in the form of a Class B Common Stock dividend described in Note F. The dilutive effect of stock options is insignificant in both years.

#### Note B — Unconsolidated Finance Subsidiary

In December 1973, the Company formed Wang Financial Corporation for the purpose of financing equipment leased to customers under terms which permit the Company to account for such transactions as sales. Condensed financial statements of the wholly-owned finance subsidiary follow:

Balance Sheet	June 30,	
	1976	1975
<b>Assets:</b>		
Cash . . . . .	\$ 2,000	\$ 6,000
Lease installments receivable, less allowances (\$175,000 in 1976 and \$262,000 in 1975) and unearned financing income (\$945,000 in 1976 and \$1,876,000 in 1975) . . . . .	<u>5,550,000</u>	<u>7,831,000</u>
	<u>\$5,552,000</u>	<u>\$7,837,000</u>
<b>Liabilities and stockholder's equity:</b>		
Notes payable to bank . . . . .	\$3,600,000	\$5,100,000
Accrued interest . . . . .	82,000	
Customers' security deposits . . . . .	266,000	314,000
Stockholder's equity, including subordinated note payable to parent company . . . . .	<u>1,604,000</u>	<u>2,423,000</u>
	<u>\$5,552,000</u>	<u>\$7,837,000</u>
<b>Summary of earnings, years ended June 30, 1976 and 1975:</b>		
	1976	1975
Financing income . . . . .	\$ 900,000	\$1,202,000
<b>Costs and expenses:</b>		
Interest . . . . .	391,000	631,000
Administrative and general . . . . .	121,000	121,000
Provision for doubtful accounts . . . . .	<u>324,000</u>	<u>318,000</u>
	<u>836,000</u>	<u>1,070,000</u>
<b>EARNINGS BEFORE INCOME</b>		
<b>TAXES</b> . . . . .	<u>\$ 64,000</u>	<u>\$ 132,000</u>

The operations of Wang Financial Corporation are included in the consolidated federal income tax return filed by its parent. The amount of income tax expense

# Notes to Consolidated Financial Statements (Continued)

## Note F — Stockholders' Equity (Continued)

	Number of Shares	Option Price Range Per Share	Market Value at Date First Exercisable or Exercised		
			Total (in 000's)	Range Per Share	Total (in 000's)
Options exercised in:					
1975	None				
1976	4,176	\$10.63-\$14.13	\$ 48	\$12.75-\$19.63	\$ 74
Options becoming exercisable in:					
1975	84,805	\$14.13-\$40.88	\$1,966	\$ 8.00-\$13.75	\$1,001
1976	60,975	10.63- 24.38	866	11.25- 14.88	752

Options lapsed during 1975 for 33,105 shares. During 1976, options for 17,400 shares lapsed and options for 43,100 shares were cancelled and re-issued at lower prices. Forty-four shares of Class B Common Stock were issued in connection with Common Stock options exercised after April 9, 1976.

There have been no charges to income in connection with the stock options.

*Employee Profit-Sharing and Stock Bonus Plans and Stock Purchase Plan* — Contributions to the Profit-Sharing and Stock Bonus Plans are based, subject to certain limitations, on the aggregate compensation of eligible employees. The annual contribution to the combined plans has been allocated 60% to the Profit-Sharing Plan and 40% to the Stock Bonus Plan.

Aggregate provisions for contributions under both plans were \$750,000 in 1976 and \$520,000 in 1975.

Offerings under the Employee Stock Purchase Plan are made each year on March 1 and September 1. Eligible employees electing to participate in the Plan may contribute up to 10% of their base compensation for the payment period through payroll deductions toward purchase of the Company's Common Stock or Class B Common Stock at a price fixed by the Board of Directors, which in no event will be less than 85% of the market price on the first or last day of the payment period, whichever is lower.

At June 30, 1976, 45,565 shares of Class B Common Stock were reserved for issuance pursuant to outstanding Common Stock options.

A summary of additional shares available (including Class B Common Stock by vote of the Board of Directors on April 9, 1976) for future grants, contributions or sales is as follows:

	June 30,		
	1976	Class B Common	1975 Common
Stock Option Plans . . . .	325,784	81,645	225,739
Stock Bonus Plan . . . .	14,476	103,619	21,943
Stock Purchase Plan . . . .	173,257	43,314	32,905

## Note G — Foreign Subsidiaries

Sales and marketing operations outside the United States are conducted principally through sales subsidiaries in Canada, Europe, Central and South America, Africa and the Far East and, to a lesser extent, through various representative and distributorship arrangements. The Company manufactures all of its products domestically. As a result, net income of foreign subsidiaries is dependent upon the transfer price for products sold by such subsidiaries and is not indicative of the relative contribution to consolidated net income derived from foreign sales and service activities. Consequently, the Company has discontinued its practice of reporting separately net income of foreign subsidiaries.

Sales to foreign customers were \$42,068,000 in 1976 and \$35,229,000 in 1975, representing 43% and 46% of consolidated revenues, respectively.

Aggregate foreign exchange adjustments amounted to a gain of \$72,000 in 1976 and a loss of \$431,000 in 1975.

Information with respect to the Company's foreign subsidiaries' financial position before elimination of inter-company transactions is as follows:

Assets	June 30,	
	1976	1975
Current assets . . . . .	\$25,847,000	\$23,120,000
Other assets . . . . .	1,361,000	1,313,000
Property, plant and equipment	<u>5,271,000</u>	<u>3,622,000</u>
	<u>\$32,479,000</u>	<u>\$28,055,000</u>
Liabilities and Stockholder's Equity		
Current liabilities . . . . .	\$ 7,751,000	\$ 8,808,000
Intercompany obligations . . . .	19,349,000	14,886,000
Long-term debt . . . . .	1,023,000	994,000
Stockholder's equity . . . . .	<u>4,356,000</u>	<u>3,367,000</u>
	<u>\$32,479,000</u>	<u>\$28,055,000</u>

## Note H — Leases

The Company leases equipment (principally data processing) and real estate (principally field offices). Total rent expense on all leases amounted to \$3,142,000 in 1976 and \$3,024,000 in 1975. Estimated minimum lease commitments on non-cancellable leases are as follows:

Year ended June 30:	Total	Equipment	Real Estate
1977	\$2,204,000	\$ 662,000	\$1,542,000
1978	1,644,000	616,000	1,028,000
1979	1,301,000	558,000	743,000
1980	520,000	3,000	517,000
1981	369,000		369,000
Thereafter in total	<u>590,000</u>		<u>590,000</u>
	<u>\$6,628,000</u>	<u>\$1,839,000</u>	<u>\$4,789,000</u>

## Note I — Subsequent Event

On July 13, 1976, the Company purchased a 273,000 square foot facility in Lowell, Massachusetts for an aggregate purchase price of \$1,750,000, financed substantially through long-term borrowings.

# Common Stock and Dividends

The following table sets forth the per share price ranges of Wang Stock during each quarter of 1975 and 1976. Quarterly revenue and earnings figures are also included. From July 1, 1974, to April 24, 1976, the Company's

stock was listed on the New York Stock Exchange. On April 24, 1976, the Company transferred the listing of its stock to the American Stock Exchange.

Fiscal Year 1976		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Fiscal Year
Revenues . . . . .		\$18,095,000	\$24,153,000	\$22,947,000	\$31,661,000	\$96,856,000
Earnings . . . . .		682,000	1,479,000	1,102,000	2,909,000	6,172,000
Earnings per share* . . . . .		.13	.29	.21	.57	1.21
Dividends — Common . . . . .		.025	.025	.025	.025	.10
Dividends — Class B Common . . . . .					.05	.05
Stock Price — Common						
High . . . . .		13.20*	10.30*	15.90*	17.125	17.125*
Low . . . . .		7.30*	7.40*	8.20*	10.875	7.30*
Stock Price — Class B Common						
High . . . . .					13.75	13.75
Low . . . . .					9.75	9.75
Fiscal Year 1975		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Fiscal Year
Revenues . . . . .		\$15,754,000	\$18,142,000	\$17,413,000	\$24,519,000	\$75,828,000
Earnings . . . . .		878,000	738,000	170,000	1,470,000	3,255,000
Earnings per share* . . . . .		.17	.14	.03	.29	.64
Dividends — Common . . . . .		.04		.04		.08
Stock Price — Common						
High . . . . .		10.00*	9.50*	10.70*	13.50*	13.50*
Low . . . . .		5.70*	5.10*	5.30*	8.90*	5.10*

\*Adjusted by 20% to reflect Class B Stock dividend declared April 1976.

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The information contained above and on pages 20 through 24 has been prepared for filing as part of the Company's report to the Securities and Exchange Commission on SEC Form 10-K. A complete copy of the Company's Form 10-K will be mailed, without charge, upon written request to Edward D. Grayson, Esq., Corporate Secretary, Wang Laboratories, Inc., 836 North Street, Tewksbury, Massachusetts 01876.

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# Managements' Analysis of Operating Results (1976 vs. 1975 and 1975 vs. 1974)

The following discussion should be read in conjunction with the Stockholders' message on pages 2 and 3 of the Annual Report and the 10-year financial review on pages 4 and 5 of the Annual Report, both of which amplify and expand on some of the analysis set forth below.

Total revenues of the Company continued to increase in 1975 and also 1976, up 18.7% in 1975 and 27.7% in 1976. The 1975 increase was below initial projections, primarily because of a slowdown of domestic sales in the second and third quarters. The Company believes it felt the brunt of the general economic slowdown during these quarters. Both increases primarily reflect growth and not increases in prices. The 1976 increase was in line with projections and continued the Company's good performance from the end of Fiscal 1975. Management believes overall increases primarily reflect general business growth, and the broadening of products and applications within the System 2200 and WCS product lines.

Cost of products and services sold increased in both 1975 and 1976. In 1975, the 28.5% increase exceeded the 18.7% revenue increase primarily because of inflation not offset by price increases and also the lower than projected revenue actually realized. Also, a substantial inventory adjustment contributed to this increase. In 1976, the 22.6% cost increase was well below the 27.7% growth in revenues. Management believes this lower rate of increase of costs was due to attainment of

revenue projections, increased internal production of printers and certain components formerly purchased from outside vendors, and improved budgetary cost controls.

Research and Development expenses increased 60% in 1975 and 27.3% in 1976. The 60% increase in 1975 is the result of a reclassification of certain software related expenses. Beyond this, both increases were reflective of the overall growth of the business. The increases also reflect the continuing emphasis on software related development efforts, plus the WCS Systems, the new peripherals and the new Word Processing Systems.

Selling, general, and administrative expenses increased 28.0% in 1975 and 22.9% in 1976. In 1975, the percentage increase was up primarily because revenues fell behind the order levels to which the increased selling, general, and administrative expenses more proportionately relate. In 1976, the increase was less than revenue growth and is considered by Management to be in line with projections.

In 1975, interest expense increased 32% which reflects higher interest rates and a small increase in borrowings. In 1976, interest expense decreased 12% primarily due to an overall decrease in average borrowings, and a lower prime rate of interest, to which a majority of the borrowings are tied.

Income tax fluctuations are explained in Note 5 to the Statement of Consolidated Earnings.

## The Company's Business

### Business

The Company is engaged primarily in the design and manufacture of computing equipment and related peripheral devices. These products are marketed as Small Computer Systems for use in applications directed toward business, commercial, data processing and scientific computations. The Company also markets a computer-based Word Processing System. The Company's products are primarily sold to end-users by the Company's world-wide marketing organization. In addition, its products are sometimes leased or rented to end users.

The Company entered the calculator business in 1965 with electronic products which were designed to replace mechanical calculators and which offered additional features such as scientific functions and programming capability. Since then the Company's business has evolved into higher priced small computer systems com-

binning a central processor with a variety of input, output and data storage peripherals and application software. Small computer products accounted for more than 85% of the Company's revenues for the fiscal year ended June 30, 1976.

In 1972, the Company made initial deliveries of an automatic office typewriter. Rentals and sales of this word processing equipment accounted for approximately 10% of the Company's revenues for the year ended June 30, 1976. On June 21, 1976, the Company introduced a new CRT-based word processing system. Word processing has traditionally been for the Company an application of its small computer expertise. In the future, we expect word processing will be recognized as a major and fast growing sector of the computer industry.

The remainder of the Company's revenues, about 5%, are derived from computer services offered by Wang Data Center and the Programmed Products group.

#### **Small Computer Systems**

The Company primarily produces, sells and services two lines of small computers, the "System 2200" and the "WCS" (Wang Computer System).

The System 2200, initially delivered in May 1973, is normally purchased as a system in which small computers are combined with peripheral equipment and application software. These systems are primarily sold to commercial, scientific, engineering, medical and educational users. System prices range generally from \$5,400 to \$45,000 depending on the model, peripheral equipment, and software chosen by the customer.

In 1975, the Company made initial deliveries of a second line of small computer systems which were identified as WCS — Models 10, 20 and 30. The capabilities and "architecture" of these products are the same as the System 2200; however, the marketing of the WCS line is directed more to the business and commercial application. A significant difference between the WCS Series and the System 2200 is that the WCS systems are packaged with standardized configurations, rather than the modularized version in the case of the System 2200.

The System 2200 and WCS lines are the Company's most powerful systems. The systems provide small computer capability by using extended BASIC computer language and a line of up to 65 peripheral devices. It is expected that the "System 2200" and the "WCS" lines will be expanded and will continue to be a major source of the Company's growth during fiscal 1977.

These systems can handle a wide variety of applications. Memory can be expanded from 4,096 bytes (in increments of 4,096 or 8,192) to 32,768 bytes. Peripheral equipment available for the system includes output typewriters; high, medium and low speed printers; input keyboards; CRT console displays; magnetic tape cassette reader/recorders; 1/2 inch IBM compatible magnetic tape drives; digital and analog flatbed and drum plotters; digitizers; flexible and hard surface disk memory storage devices; card readers; telecommunication options; and several interfaces for on-line applications. A library of programs and subroutines covering mathematical, engineering and commercial applications is available to users.

In addition to the System 2200 and WCS lines of small computers, the Company is continuing to market two of its earlier lines of programmable calculators, the Model 600 and the Model 700. These proven products retain specialized user interest, although in Fiscal 1976

revenues for both products were minor in comparison to the larger more powerful System 2200 and WCS lines.

The Series 700 Programmable Calculator, first introduced in January 1969, remains a desirable product because of its extensive program libraries. The Series 600 Programmable Calculator, introduced in September 1971, and priced lower than the System 2200, WCS line, and the Series 700, combines the keyboard of a manual calculator with much of the programming and storage capability of the Series 700. In addition to its lower cost, the Series 600 remains desirable because of specialized technical software and built in higher mathematical function capabilities.

Programming is an integral part of the sale of small computer systems. Programming for Wang Systems is provided in many ways: the customer writes his own programs employing Wang factory written utilities, Wang factory written programs are used in their entirety, programs produced by independent software houses are employed as is, or an outside software vendor provides a customized installation. Outside vendors' customized programs are used most frequently.

Custom programs are available locally through a network of independent software vendors, and many of these vendors also have available standard programs written for Wang systems. Local vendors are the principal source of commercially oriented programs.

The Company offers a number of specialized program packages for special applications to which the user will make virtually no modifications. These programs are important to the Company's marketing effort in the technical, educational, and scientific areas. About one-third of the System 2200 and WCS systems sold in North America during the fiscal year ended June 30, 1976 incorporated such software packages for use in statistical, banking, civil engineering, and automobile dealer markets.

During Fiscal 1976, the Company introduced several significant new turnkey computer systems. These include Wang/CASH, for public accountants; SPARK, for the automotive parts aftermarket operations; and MPS (Management Planning System), for budgeting, forecasting and planning.

The Company offers utility or "framework" programs to aid the customer or his chosen vendor in programming the systems, and many of our customers choose the Company's "BASIC" language systems because of the ease of programming. The Company also sponsors an end-users organization through which members may obtain programs from other members at a minimal or nominal cost.

The Company has recently designed and is currently manufacturing three peripheral devices for use with small computers. In April 1975, the Model 21W was announced as the first in a "family" of Wang printers.

# The Company's Business (Continued)

The 21W uses a 9x9 dot matrix and is capable of printing 200 characters per second. In March 1976, the Company announced the Model 31W, the second member of its printer "family." The 31W is a 7x9 dot matrix printer capable of printing 120 characters per second. At the same time, the Company also introduced a new drum plotter with potential application to the statistical, engineering, and financial management markets. These three new peripherals replace units the Company formerly purchased from outside suppliers, and should yield significant cost savings for the Company, while providing a technically advanced unit for the customer. Also, these units establish the Company as a manufacturer of peripheral devices which may be marketed independently of the Company's small computers.

## Word Processing Systems

In May 1972, the Company made initial deliveries of its first word processing system, the Model 1220. The system utilized an IBM Selectric typewriter as an input/output device and was oriented to a line of text.

In January 1975, the Model 1222 was introduced. This unit further refined the line oriented typewriter based word processing systems, or as it became known, the "automatic typewriter."

The Model 1220 and 1222 were representative of first generation word processing systems, which significantly improved the efficiency, accuracy, and speed of initial text entry, editing, correction, and proofreading. These units used two standard magnetic tape cassettes and electronics or "logic" similar to the Company's programmable calculators to offer features including direct search to any line, automatic centering, and right margin justification.

On June 21, 1976, the Company introduced a new line of word processing systems, the WPS 10, 20 and 30. These systems represent a fully expandable and integrated "family" of word processing systems which range from a single operator stand-alone work station to a configuration including a central processor and 10 megabyte disk capable of supporting 14 peripheral devices including work stations, high speed draft printers, lower speed letter quality printers, and telecommunication options. While the earlier models were based around a typewriter and were line oriented, the new WPS family is based around a cathode ray tube (CRT) and is document oriented. The operator sits at an electronic keyboard and "types" directly onto a CRT. The information is then edited or corrected "electronically", stored on magnetic disk platters, and printed in either draft copy at 130 or 200 characters per second, or in letter quality at 40 characters per second, or more than twice the speed of the IBM Selectric typewriter. The new WPS systems are much

simpler for the operator to learn; they also achieve substantially higher productivity. The WPS line can be customized to fit the exact requirements of the user, and expanded as those needs increase.

The Company markets its word processing systems primarily in the manufacturing, government, legal, accounting, banking, engineering, and financial marketplaces, both as single systems and as multiple systems which comprise a Word Processing Center. Within these markets, features of the systems serve a variety of word processing applications including power typing, text editing, statistical typing, forms completion, and automatic letter writing.

The word processing systems are sold and leased to customers under five-year full payout leases offered by the Company and independent third party leasing companies. In addition, the systems are rented to customers based on a minimum rental term of twelve months. Rental customers are given an option to purchase the system, or to convert to a full payout lease agreement. Approximately 40% of the systems in the field are rented.

The Company believes that with the introduction of the WPS 10, 20 and 30 systems, it is in a strong position to increase its market share in this fast growing small computer application.

## Other Business (Computer Services)

The Wang Data Center (a division of the Company) is engaged in the business of developing and marketing computer services for outside customers' data collection and processing needs. To support this group, the Company operates a large scale general purpose computer at its facility in Burlington, Massachusetts. This computer facility also supports the Company's internal development and processing needs, as well as the Company's Programmed Products group which develops and markets software for large computers. This software has been well accepted in the industry, and is directed primarily toward payroll, ERISA, pensions and personnel applications.

## Backlog

At June 30, 1976, the Company's backlog was approximately \$18,400,000, substantially all of which is deliverable before June 30, 1977. Comparable backlog at June 30, 1975 was \$14,000,000. These amounts include orders for purchase and full payout lease of equipment as well as the unbilled revenues from rentals, maintenance service contracts, and computer service contracts, to the extent that customers are committed thereto by contract. At June 30, 1976, approximately 38% of the backlog related to equipment rentals, maintenance, and computer service contracts.

## Marketing

The Company markets its line of small computer

products in the United States, principally through approximately 255 sales personnel based in offices located in 100 cities. The word processing sales force includes 58 personnel located in 44 cities. Four Area Directors and 25 District Managers direct the sales efforts of both the small computer and word processing sales forces. Maintenance service for company products is provided by a Customer Engineering organization comprised of 438 personnel headquartered in the Company's facility in Burlington, Massachusetts. The Company also maintains field service offices in 100 cities. Area and District Service Managers coordinate the Company's end-user service with the field sales organization, home office manufacturing, and R & D liaisons.

Sales outside the United States produced approximately 45% of the Company's revenues in Fiscal 1976. Profitability on international sales is comparable to profit on sales made in the United States. The Company's products are marketed in Australia, Austria, Belgium, Brazil, Canada, China, France, Great Britain, Hong Kong, Japan, Netherlands, New Zealand, Panama, Singapore, South Africa, Sweden, Switzerland, and West Germany through wholly-owned foreign subsidiaries employing approximately 160 sales personnel. In addition to its direct sales and service organizations overseas, independent representatives market the Company's products in 41 other countries.

In 1976, the Company's principal customers in the domestic marketplace were commercial, scientific, industrial and educational users and agencies of the United States Government. Direct sales to agencies of the United States Government throughout the country in the aggregate did not exceed 6% of total revenues. The Company's ten largest other customers (excluding third party leasing companies and independent foreign sales representatives) accounted for less than 3% of total revenues.

The Company's Small Computer Systems and related peripheral devices are primarily sold outright to end users; however, Word Processing Systems are both sold and rented under short-term arrangements. Both Small Computer Systems and Word Processing Systems are leased under three- and five-year full payout leases offered primarily by third-party leasing companies. Of total company revenues for Fiscal 1976, approximately 9% were derived from sales to 3rd party lessors, and approximately 6% from short-term rentals. Revenues from full payout leases are accounted for by the Company on the "finance method."

#### **Research and Engineering**

The technology involved in the design and manufacture of the Company's products is complex and subject to constant change. Accordingly, the Company is com-

mitted to a program of research and development which is oriented primarily toward new hardware and software products as well as the improvement and refinement of existing products and their uses. Projects under development include further advanced computing systems directed toward data processing, word processing, and distributed processing applications. There can be no assurance that such projects will yield new products.

In the fiscal year ended June 30, 1976, the Company spent approximately \$4,263,000 for research and engineering, all of which was Company sponsored. These expenditures reflect direct labor costs and some allowances for material and overhead expenses. This compares with \$3,348,000 expended during the prior fiscal year. All of these expenditures were charged to expenses in the year incurred. Approximately 160 engineers, systems analysts, and programmers are employed by the Company in research and development.

#### **Manufacturing, Material and Supplies**

The Company manufactures most of its products with the exception of certain mass storage peripherals (such as magnetic disc files). These standard products are assembled from basic components and parts, largely purchased from a variety of outside suppliers. The Company currently has single source supply for certain integrated circuits; however, the Company continually seeks alternate sources and the number of single source items is small. Although a supplier's failure to deliver these sole source circuits could cause production delays, the Company believes that such delays would be temporary.

The seven hundred employees in Manufacturing include an extensive Quality Control Department which is also responsible for testing all system configurations prior to shipment.

During Fiscal 1976, the number of mechanical components, printed circuit boards and sheet metal parts fabricated from in-house facilities increased substantially. This resulted in improved availability and quality, as well as savings in the cost of the finished products produced.

#### **Competition**

The markets in which the Company's small computing systems compete are not clearly defined. In general, the markets may be divided into three areas depending upon function and price of the systems. The first area is the general purpose small computer market and prices of systems range from \$25,000 to \$45,000. The second area is the dedicated commercial and distributed processing market and prices range from \$10,000 to \$25,000. The third area is the technical and scientific computation market and prices of systems range from \$4,000 to \$20,000.

# The Company's Business (Continued)

Reliable statistics are not readily available for any market. Also many of the Company's products are sold in more than one market.

The largest market for the Company is the general purpose small computer area. Competition includes IBM, Burroughs, Nixdorf, Tektronix, Phillips, Digital Equipment Corp., and Basic 4. The Company believes Burroughs and IBM are the largest competitors.

In the dedicated commercial and distributed processing area, competitors include Burroughs, Basic 4, Olivetti and Digital Equipment Corp.; however, it is not certain which competitor has the largest share of this market.

In the technical and scientific area, competitors include Hewlett Packard, Tektronix, Digital Equipment Corp., and IBM; Hewlett Packard is believed to be the largest competitor.

All of these markets are very competitive and include some firms with substantially greater financial resources and larger distribution organizations than the Company.

## **Licenses, Patents and Trademarks**

The Company owns patents, registered trademarks, trade secrets and proprietary information. The Company does not consider that its business is dependent on any patent or group of related patents known to the Company. In the event that products manufactured by the Company may be covered in whole or in part by patents owned by others, the Company may (in the future) find it desirable or necessary to obtain one or more licenses for those or other patents.

## **Employees**

During Fiscal 1976, the average number of persons employed by the Company was 2,600. The Company has not experienced any strikes or work stoppages and considers its relations with its employees to be good. None of the employees of the Company are represented by a labor union.

## **Properties**

The general offices and engineering and manufacturing operations of the Company are located in a modern brick 240,000 sq. ft. complex owned by the Company and located in Tewksbury, Massachusetts. The original building, completed in 1964 and expanded by four additions completed in 1966, 1968, 1970 and 1973, is located on an 88-acre site owned by the Company.

In October of 1975, the Company purchased an 80,000 square foot facility in Burlington, Massachusetts. The facility houses the Wang Data Center, the Programmed Products group, and the Company's Customer Engineering headquarters.

Recently, the Company purchased a 273,000 square foot facility in Lowell, Massachusetts, at the intersection of the major highways which connect the Tewksbury and Burlington facilities. It is the Company's intention to relocate its administrative headquarters and research and development operations from Tewksbury to Lowell later in calendar 1976, leaving room for expansion of Manufacturing and Customer Engineering in the Tewksbury facility.

Outside the U.S., the Company owns a 35,334 square foot facility on five acres of land near Brussels, Belgium which serves as the administrative and service support headquarters for European operations.

The Company rents sales offices in many locations throughout the United States, Canada, Europe and the Far East under short-term leases. Aggregate real estate rentals amount to approximately \$1,300,000 annually.

The Company owns substantially all of the machines, tools and equipment required for its operations but leases some equipment, primarily computers, for an aggregate annual rental of approximately \$1,800,000. The Company considers that all of its property is in good condition and is adequate and suitable for its current needs.



# Wang Laboratories, Inc.

## Sales and Service Offices

### United States

<b>Alabama</b> Birmingham Mobile	<b>District of Columbia</b> Washington	<b>Kentucky</b> Louisville	<b>Missouri</b> St. Louis	<b>Ohio</b> Brook Park Cincinnati Cleveland Columbus Toledo	<b>Tennessee</b> Knoxville Memphis Nashville
<b>Alaska</b> Anchorage	<b>Florida</b> Jacksonville Miami Orlando Tampa	<b>Louisiana</b> Baton Rouge Metairie	<b>Nebraska</b> Omaha		<b>Texas</b> Austin Dallas Houston Lubbock San Antonio
<b>Arizona</b> Phoenix	<b>Georgia</b> Atlanta	<b>Maryland</b> Baltimore Gaithersburg Kensington Rockville	<b>Nevada</b> Las Vegas Reno	<b>Oklahoma</b> Oklahoma City Tulsa	<b>Utah</b> Salt Lake City
<b>California</b> Foster City Fresno Los Angeles Sacramento San Diego San Francisco San Mateo Sunnyvale Tustin Ventura	<b>Hawaii</b> Honolulu	<b>Massachusetts</b> Boston Burlington Littleton Tewksbury Waltham Worcester	<b>New Hampshire</b> East Derry Manchester	<b>Oregon</b> Beaverton	<b>Virginia</b> Newport News Richmond Virginia Beach
<b>Colorado</b> Denver	<b>Illinois</b> Chicago Des Plaines Moline Morton	<b>Michigan</b> Grand Rapids Okemos Southfield	<b>New Jersey</b> Mountainside	<b>Pennsylvania</b> Erie Harrisburg Philadelphia Pittsburgh Wayne	<b>Washington</b> Seattle Spokane West Virginia Charleston
<b>Connecticut</b> Stamford Wethersfield	<b>Indiana</b> Highland Indianapolis Mishawaka	<b>Minnesota</b> Bloomington Minneapolis	<b>New Mexico</b> Albuquerque	<b>Rhode Island</b> Cranston	<b>Wisconsin</b> Brookfield Madison Milwaukee
	<b>Kansas</b> Overland Park Wichita		<b>New York</b> Lake Success Latham New York City Rochester Syracuse Williamsville	<b>South Carolina</b> Greenville Mt. Pleasant	
			<b>North Carolina</b> Charlotte Greensboro Raleigh		

### International Subsidiaries

<b>Australia</b> Wang Computer Pty. Ltd. St. Leonards, NSW South Melbourne, Vic 3 Adelaide, S.A. Subiaco, W.A. Brisbane, Qld. Fyshwick, A.C.T. Winnellie, Darwin N.T.	<b>Canada</b> Wang Laboratories (Canada) Ltd. Don Mills, Ontario Calgary, Alberta Edmonton, Alberta Winnipeg, Manitoba Montreal, Quebec Vancouver, B.C.	<b>Hong Kong</b> Wang Pacific Ltd. Hong Kong	<b>Sweden</b> Wang Skandinaviska AB Solna Gothenburg Lund Vasteras
<b>Austria</b> Wang Gesellschaft m.b.H. Vienna	<b>China</b> Wang Industrial Co., Ltd. Taipei Wang Laboratories Ltd. Taipei	<b>Japan</b> Wang Computer Ltd. Tokyo	<b>Switzerland</b> Wang A.G. Zurich Geneva Wang Trading A.G. Zug
<b>Belgium</b> Wang Europe, S.A. Ottergem	<b>France</b> Wang France S.A.R.L. Bagnolet	<b>Netherlands</b> Wang Nederland B.V. Utrecht	<b>United States</b> Wang International Trade, Inc. Tewksbury, Mass.
<b>Brazil</b> Wang do Brasil Computadores Ltda. Rio de Janeiro Sao Paulo	<b>Great Britain</b> Wang Electronics Ltd. Northwood, Middlesex Harrogate, Yorkshire East Kilbride, Glasgow, Scotland Uxbridge, Middlesex C.S. Computer Services Ltd. Harrogate, Yorkshire	<b>New Zealand</b> Wang Computer Ltd. Auckland	<b>West Germany</b> Wang Laboratories, GmbH Frankfurt Berlin Hamburg Munich Düsseldorf Stuttgart Nuremberg
		<b>Panama</b> Wang de Panama (CPEC) S.A. Panama City	
		<b>Singapore</b> Wang Computers (Pte) Ltd. Singapore	
		<b>South Africa</b> Wang Computers (South Africa) (Pty) Ltd. Bordeaux, Transvaal Durban Capetown	

### International Representatives

Argentina	Greece	Korea	Peru
Bolivia	Haiti	Lebanon	Philippines
Canary Islands	Iceland	Liberia	Portugal
Chile	India	Malaysia	Saudi Arabia
Colombia	Indonesia	Mexico	Spain
Costa Rica	Iran	Morocco	Syria
Denmark	Israel	Nicaragua	Thailand
Dominican Republic	Italy	Nigeria	Tunisia
Ecuador	Japan	Norway	Turkey
Finland	Kenya	Pakistan	Venezuela
			Yugoslavia

**Corporate Headquarters**  
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