COMMODORE INTERNATIONAL LIMITED

A Leader in Multimedia Technology.

1992 ANNUAL REPORT

About the Company

Commodore International Limited, through its subsidiaries around the world, is one of the world's larger manufacturers and marketers of computer-based products for professionals and consumers.

The Company's major product group is Amiga multimedia computers. In addition the Company has a range of PC compatible computers and the entry-level Commodore 64.

About the Cover

The cover depicts a Commodore multimedia system which incorporates an Amiga 3000 computer with AmigaVision authoring system, a camcorder for video, DeluxePaint IV software for graphics, a musical keyboard and a laser disc player for interactive display. This low-cost system allows a user to create a high-performance solution and deliver it interactively.

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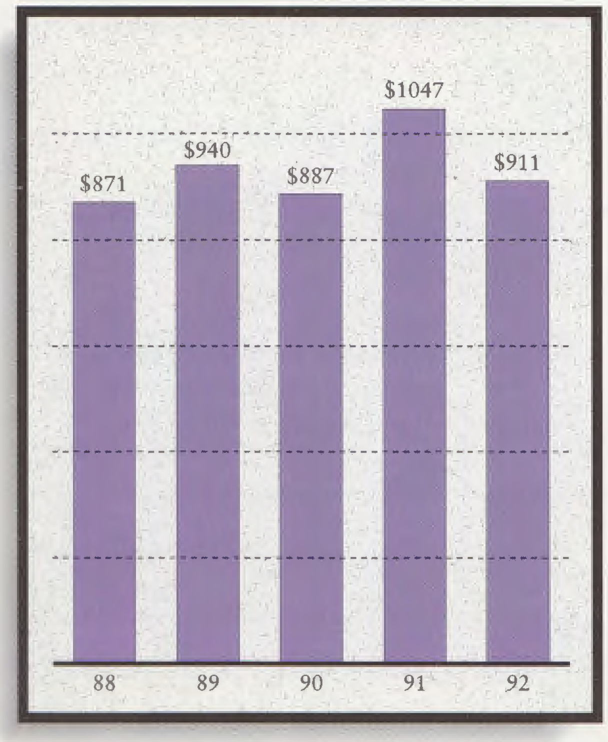
Financial Highlights

(Dollars in Millions, Except Per Share Amounts)

Year Ended 30 June	1992	1991	1990
Net Sales	$ 911.0	$1,047.2	$887.3
Income Before Extraordinary Item	$ 27.6	$ 57.4	$ 1.5
Net Income	$ 27.6	$ 48.2	$ 1.5
Shareholders' Equity	$ 325.0	$ 289.7	$252.9
Average Shares Outstanding (Millions)	33.6	33.2	32.4
Net Income (Loss) Per Share			
1st Quarter	$ 0.16	$ 0.22	($ 0.20)
2nd Quarter	$ 1.18	$ 1.12	$ 0.35
3rd Quarter	$ 0.12	$ 0.04	$ 0.01
4th Quarter	($ 0.66)	$ 0.10	($ 0.11)
Year (a)	$ 0.82	$ 1.45	$ 0.05

(a) Total for year differs from sum of the quarters due to fluctuations in the stock price affecting quarterly common stock equivalents in fiscal 1992 and 1991.

Worldwide Revenues
(In Millions)



Shareholders' Equity
(In Millions)

In fiscal 1992 Commodore International Limited achieved a significant milestone by selling over 1 million Amiga multimedia computers. The worldwide installed base of Amigas now totals 3.7 million. We are pleased with the widespread acceptance of the Amiga which has enabled Commodore to maintain a leadership role in multimedia technology.

The Amiga product group accounted for approximately $575 million, or 63% of total sales in fiscal 1992. Although unit sales increased 17% from the prior year, revenues were slightly below the prior year due to a decrease in peripheral sales and lower selling prices.

Commodore's second product group is MS-DOS PCs which accounted for approximately $220 million, or 24% of total sales in fiscal 1992. PC sales declined over 20% from the prior year in both units and revenues, primarily due to the discontinuation of lower-end XT and AT products. In fiscal 1992 we launched a new line of PCs to reestablish a leading role in this market segment and we are pleased with the market acceptance of our new PCs.

Although sales of the C64 declined from the prior year, total unit sales of 650,000 were still strong for a product which was introduced ten years ago. To date, over 12 million units have been sold. The C64 product group accounted for approximately $115 million, or 13% of total sales in fiscal 1992, with most of the sales occurring during the first half of the fiscal year.

Commodore's total sales for fiscal 1992 were $911 million, a decline of 13% from the prior year. Almost all of the decline occurred in the last six months reflecting economic softness throughout the European consumer markets and the impact of the discontinuation of low-end PCs.

Geographically, Europe accounted for 88% of total sales for the year. Sales in North America and Australia were adversely affected by recessionary economic conditions in those regions. During calendar year 1991 Commodore again ranked second in personal computer unit sales in the European market according to Dataquest.

Net income for fiscal 1992 was $27.6 million, or $.82 per share, compared with $48.2 million, or $1.45 per share, in the prior year. The decrease reflects the sales decline and the unfavorable impact of pricing reductions.

During the fourth quarter we implemented a major program to achieve greater operating efficiencies. The factory building in Hong Kong was sold for a significant gain. Production is being transferred to a new, low-cost facility in the Philippines. Since the close of the fiscal year, manpower at our facilities in Germany and the U.S. have also been reduced significantly.

Shareholders' equity increased to a record $325 million at the end of June 1992. In fiscal 1992 a Deutsche Mark debenture issue of $66 million was repaid and long-term notes were reduced by $25 million. Total debt at the end of June decreased to $158 million.

In fiscal 1993, we plan to introduce new models of the Amiga for both the consumer and professional markets. These new products are expected to significantly enhance the performance and value of Commodore's multimedia computers. Although we are concerned about the global economic environment and the competitive price pressures in our business, we will manage the business prudently in the coming year to take advantage of Commodore's strengths.

Irving Gould
Chairman of the Board
and Chief Executive Officer

Medhi R. Ali
President

17 September 1992

Multimedia computing is one of the most quoted phrases in the computer industry today. Commodore has been an active participant in this important market since 1985 when the first multi-tasking Amiga computer was introduced.

What is multimedia?

It is not a single market or application but rather a method of designing and integrating computer technologies on a single platform that enables the end-user to input, create, manipulate, and output text, graphics, audio and video with a single user interface. Multimedia integrates basic information processing with animation, sound, color graphics and video.

Commodore's Amiga line has the ability to put multimedia capability into a single, integrated, cost effective machine. Several technical features combine to give the Amiga its multimedia mastery. These include digital audio technology incorporated in each machine, along with a unique set of chips that serve as dedicated audio and video co-processors. These chips enable the Amiga to run more than one program simultaneously. The Amiga also operates at the same "video scan rate" as TV and video cameras, making it an ideal platform for handling video images.

According to New Media Research, a market research firm, the worldwide market for multimedia applications is expected to grow to $16 billion by mid decade.

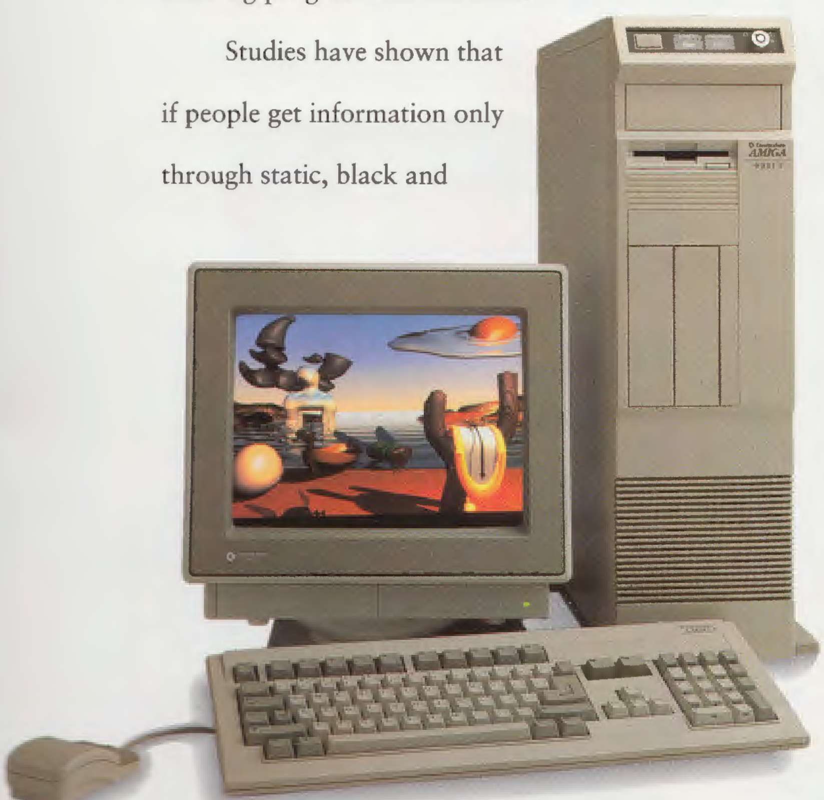
The industry believes growth is expected to be rapid in Europe and Australia/Asia. Many experts predict that multimedia will fundamentally change the information processing business in the 1990s. It has fundamental implications for the way we work, play and communicate.

The Amiga 600 is the newest product in the Amiga family of multimedia computers.

What are the multimedia applications?

Computer Based Training is a potential market for Amiga's multi-tasking capabilities. Training is of great interest to education, business and government users. Despite overall improvements in educational attainment around the world, the average level of skill attainment in the U.S. and other countries is not sufficient for the skill requirements of industry today. The fastest growing occupations of the future will require significantly higher levels of basic education. Interactive multimedia training offers a hands-on solution that provides tailor-made learning programs for students.

Studies have shown that if people get information only through static, black and



The floor-standing Amiga 3000T is a versatile workstation for high-end multimedia applications.

Scottish Police College

A Commodore Amiga-based multimedia system developed to train police officers in crowd control procedures has been awarded the prestigious 1991 European Training Technology Event Application Award for the most innovative and cost effective application of training technology. The system was developed by the U.K. National Computing Centre in conjunction with the Scottish Police College. High quality graphics and the ability to network a series of interactive workstations were key factors in the choice of the Amiga. The system comprises four Amiga 2000 workstations linked in a network. Each station shows a different view of the crowd inside and outside a soccer stadium. A central control system, based on an Amiga 3000, provides an overview of the entire crowd, and a Commodore MS-DOS bridgeboard connected to the audio network records and stores radio messages for replay during the debriefing. As incidents occur in the crowd, the appropriate officer must decide on a course of action and inform his fellow officers over a two-way radio. A variety of simulated events test the quality of an officer's decision making and communication ability. By developing programs using the AmigaVision authoring language, this innovative solution was developed at a low cost. This system highlights the strength of the Amiga by combining an interactive, networked training application with a realistic visual simulation program.

Touch Interactive Kiosks

In Canada, Spectral Advertising Systems, Inc., installed a system called "Touch Toronto" in kiosks in hotel lobbies and shopping malls to offer users touchscreen access to information about Toronto-area restaurants, shopping, events and attractions. Users may sort the restaurant data by area of the city, type of food, and price range, by calling up on the screen a list of only those establishments that fit their criteria. After choosing a restaurant, the user can call up a map showing how to get to the restaurant from the hotel where the kiosk is located. Restaurants pay a fee to include their menus and specials in the presentation, to offer users the option of printing out a discount coupon, and to let users dial directly from the kiosk to make reservations. The Amiga 3000 was selected for its ease of interface. A computer was needed that could handle data retrieval from multiple sources, a coupon printer and an outdial reservations telephone. Similar systems have also been installed in several European countries.

Palais du Luxembourg

The prestigious French Senate in Paris selected the Amiga 3000 multimedia system to integrate and update its existing in-house television system. The Amiga was chosen for its multi-tasking capabilities of being able to provide graphics overlays on video and to broadcast images over an existing TV network. With this system text of the Senate debates can be broadcast on the TV screen in real time without interrupting the televised proceedings. This system has greatly expanded the information capabilities of a legislative debate.

white graphics and text, sometimes less than 20% of that information is retained. Retention rates increase dramatically, as still pictures, animation, video and sound are incorporated. Thus, the Amiga is an ideal machine for education purposes.

Retail point-of-sale is also an important market for multimedia. Companies use point-of-sale displays because it is important to get a message across quickly and clearly in a limited amount of time. The interactive element of multimedia allows the user to customize the information search to meet a person's own individual needs.

The Amiga 3000 multimedia system has been installed at the Palais du Luxembourg in Paris, France.

An Amiga multimedia computer teaching program has been developed to help students study the spine in three dimensions.

Philadelphia College of Osteopathic Medicine

Multimedia computer technology now solves a major problem facing medical school professors teaching human anatomy: once cadavers are dissected, their use as a teaching tool is destroyed. Now interactive multimedia technology gives medical students a new way to study anatomy in greater depth and with increased flexibility. A doctor at the Philadelphia College of Osteopathic Medicine developed a multimedia computer teaching program that helps students visualize the spine in three dimensions, the way anatomy is viewed in real life. In the early development stages of the program there was little funding for the project so an Amiga 500 which the doctor already owned was used. However, in order to provide three-dimensional animations of the spine, an A2500 with a 68020 microprocessor was used. A video editing tape deck was added and each frame of computer-generated graphics was transferred to video tape and then to a video disc. Unlike a textbook, which uses graphics to support text, this computer program uses text to support a three-dimensional view.

To get started, students only have to know how to turn on the machine, insert a video disc and use a mouse. The entire system was developed for a very low cost. With the Amiga's ability to upgrade, new enhancements can be added for high impact and low cost. An Amiga 3000 workstation was recently installed in the student library to give students an opportunity to access the program on an as-needed basis.

Videographics is the fastest growing segment of the video market. Multimedia computers are used in this segment for character generation and 3-D modeling animation systems. Users include video production and post-production businesses, government video facilities, cable and closed circuit facilities and educational, medical and scientific media departments.

The professional music market is a smaller market segment for Commodore's multimedia computers. This segment includes music teachers and students, musicians who use electronic or synthesized music, composers and song writers. These users recognize the advantages of the Amiga with its built-in four voice, two-channel audio and its ability to handle real-time sequencing and digital editing with professional software and MIDI interfaces.

The initial growth of multimedia has been slow due to the lack of an easy to learn, simple to use authoring system. Thanks to AmigaVision, multimedia is no longer for the computer elite. AmigaVision is a full-featured authoring system that allows for sophisticated storage, manipulation and retrieval of information. After creating elements with other Amiga software, AmigaVision can control graphics, animation, text, digitized sounds, speech synthesis and music, and it can control external devices such as videodisc players. AmigaVision takes the confusion out of authoring multimedia presentations or courseware.

Hundreds of exciting software titles are available for the Amiga. These include professional data base, word processor, graphics arts and other business programs. For the home and education user there are numerous educational titles with dazzling graphics as well as action-packed entertainment programs. For CDTV new titles are being released to take advantage of the great storage capacity of the CD disk.

The Amiga was first introduced in 1985. Today the product family includes the Amiga 500, Amiga 500+, Amiga 600 and Amiga 600HD for the home user. For the professional user there are the Amiga 2000 and Amiga 3000 series. The most unique Amiga product is CDTV, which includes a CD-ROM drive and Amiga computer in one integrated package. The CDTV attaches directly to a television set and can be controlled by an infrared remote device or keyboard.

Lufthansa's Flight Simulator Program

In Europe a new flight simulator software program was developed recently in conjunction with a pilot from Lufthansa Airlines. This program was tested by professional pilots in the Lufthansa headquarters in Frankfurt with the Amiga 3000. The Amiga was chosen because it is able to provide outstanding realism, including excellent color and graphics and realistic noise levels. A very successful marketing bundle was developed for the German home market with this software "Airbus A320" and an Amiga 500.

Some of the world's best entertainment and educational software is available for the Amiga 500 and Amiga 600 computers.

In fiscal 1993 new models of the Amiga will be introduced for both the home and professional markets. These computers will represent the next great leap in color and display capability for the Amiga. A new version of the AmigaVision authoring system will also be introduced which will allow a user to create programs on one system, such as the A3000, and deliver the presentation on another machine, such as CDTV. This will greatly expand the performance and cost effectiveness of Commodore's multimedia solutions.

Commodore's Amiga computers offer one of the most cost effective, fully integrated and easy to use multimedia solutions available today. Commodore is strongly committed to maintaining its leadership role in multimedia in the future.

The U.S. Geological Survey

Seismologists at the U.S. Geological Survey in California have used Amiga computers to produce 3-D animations plotting earthquakes. Some of the animations have appeared on Public Broadcasting TV. The Amiga has the ability to show in a time-lapse way how often earthquakes occur and how they happen over time. Data from years of earthquakes can be presented in a few minutes in an understandable way for the public. The data is transformed into animations with only commercial programs - no special programming has been done on the Amiga. An Amiga public domain program written by a scientist from Stanford University's Linear Accelerator Center allows the seismologists to plot their data in color and has a complete script language to control the mainframe to which the Amiga is connected. Other commercial software programs are used for animation, painting, character generation and video production.

The Commodore Amiga CDTV system brings audio, text, graphics and moving images to the world of compact disc.

Commodore provides a full range of PCs from 386SX to high-end 486 machines and network servers. Commodore's 386SX, 386DX, 486SX and 486DX machines have a multitude of hard drive and memory configurations to satisfy a broad range of users, from the basic needs of the consumer to the advanced needs of the professional user. In the past year Commodore launched eight new models as part of its strategy of being a leader in technology and price/performance.

A Major Netherlands University

A major university in the Netherlands has purchased over 1,500 Commodore PCs as integrated electronic workstations. The most modern technology for electronic data acquisition, data transport and data processing is now available on the entire campus of the university, including the library. The workstations include a combination of 386SX and 486SX machines and each workstation has a user friendly graphical working environment and software for a number of basic functions, such as word processing, database management, spreadsheet and access to information services via national and international networks. A number of databases can be consulted using a uniform search process whereby a user can define a search profile and automatically receive on his workstation any new literature which is relevant. Commodore's products were selected for this advanced installation for their outstanding capabilities and price/performance.

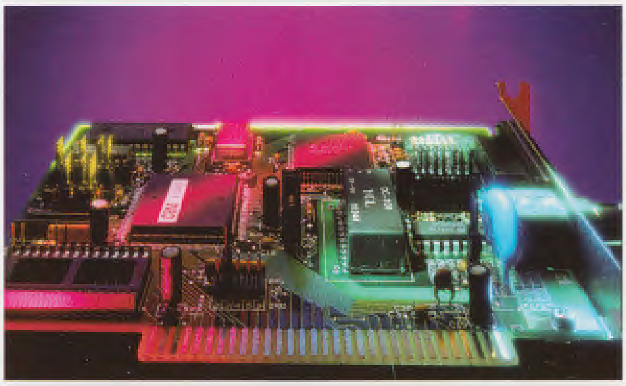
Commodore's range of state-of-the-art PC compatibles includes a 386SX-25 and 486DX-33.

The needs for data sharing and communications have placed new demands on suppliers of PCs. Commodore's approach in this area is to supply and support key strategic Local Area Networking (LAN) products and services. Commodore's Networking Division has a group of LAN specialists who provide comprehensive technical and sales support to industry standard products such as those of Novell NetWare, UNIX and TCP/IP. Commodore's PCs are evaluated rigorously to ensure that they are certified for use with a number of the important standard products. For example, Commodore is one of the few PC manufacturers which is permitted to undertake in-house Novell certification and approval of PCs. This will ensure increased user awareness of the suitability of Commodore PCs for use in network environments.

U.K. Travel Agency

A major U.K. travel agency selected Commodore to supply 1,000 386SX machines for over 200 branches. The Commodore PC demonstrated an outstanding price/performance and was supplied with pre-installed network products. Commodore also provided support with an in-house experienced team of Novell-trained engineers. The PCs at 50 larger branches were connected in a local area network based on Novell's NetWare operating system. The PCs were used to improve the performance and reliability of the on-line booking services and administrative point-of-sale systems of the travel agency.

One of the new products which the Commodore Networking Division has developed for the PC market is the ETHER PLUS Series of Ethernet LAN adapters for the professional LAN user. These cards are competitively priced while providing superior quality and compatibility.



From Commodore's ETHER PLUS Series, the ETHER-S PLUS meets the specific demands of networked Commodore PCs.

Nineteen ninety-two represents the tenth year that Commodore has marketed the 8-bit C64. To date, over 12 million units of the C64 have been sold. It is an ideal entry level color computer for entertainment, education and home/office. With a software library of more than 10,000 published titles, the continuing demand for the C64 reflects its excellent price/performance value.

One of the reasons for the success of the C64 is Commodore's marketing campaigns which highlight the computer's color, graphics and animation capabilities. A very successful European promotion this year was the Terminator 2 bundle which included action-packed software as a tie-in with the hit movie.

The Commodore C64 is a popular entry-level color computer for home and education.

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This review should be read in conjunction with the consolidated financial statements and related notes beginning on page 17 of this annual report.

Sales

Commodore's net sales decreased 13% in fiscal 1992 to $911 million compared with $1,047 million in fiscal 1991 and $887 in fiscal 1990. The decline in fiscal 1992 occurred during the last six months of the year primarily due to economic softness throughout the European consumer markets.

The Amiga product line, including CDTV, has steadily increased to 63% of net sales in fiscal 1992 compared with 56% in fiscal 1991 and 53% in fiscal 1990. Unit sales of Amiga computers increased 17% in fiscal 1992 to slightly over 1 million units. This increase is attributed to the introduction of the Amiga 600 and increased demand for the Professional Amiga 3000. Unit sales of Amiga computers increased 38% in fiscal 1991 and 26% in fiscal 1990. Although unit sales of Amiga computers increased in fiscal 1992, net sales declined 1% due to a significant decrease in sales of peripherals, such as monitors, and pricing reductions. Revenues of the Amiga product line increased by 23% in fiscal 1991 and 11% in fiscal 1990.

MS-DOS PC compatible products contributed 24% of net sales in fiscal 1992 compared with 28% in fiscal 1991 and 29% in fiscal 1990. As a result of the discontinuation of low-end XT and AT PCs, unit sales declined 23% in fiscal 1992 and revenues declined a similar amount. In fiscal 1991, unit sales declined 3% but revenues increased 14% due to a shift to higher-end products. In fiscal 1990, unit sales declined 9% while revenues increased 14%.

In fiscal 1992, C64 unit sales declined 21% to slightly more than 650,000 units compared with over 800,000 units in fiscal 1991. Due to continued price reductions, revenues decreased 34% in fiscal 1992 and C64 products accounted for 13% of total revenues compared with 16% in fiscal 1991 and 18% in fiscal 1990. Revenues from C64 products increased 4% in fiscal 1991 due to a unit sales increase of approximately 100,000 units offset by price reductions. Revenues from C64 products decreased 45% in fiscal 1990 due to a unit sales decrease of approximately 300,000 units.

Geographically, European markets accounted for 88% of net sales in fiscal 1992 compared with 84% in fiscal 1991 and 75% in fiscal 1990. However, European sales decreased 10% in fiscal 1992 compared with an increase of 33% in fiscal 1991 and 2% in fiscal 1990. North American sales continued to decline in fiscal 1992 and accounted for 8% of sales compared with 11% in fiscal 1991 and 18% in fiscal 1990. Australia/Asia sales also continued to decline in fiscal 1992 and accounted for 4% of sales compared with 5% in fiscal 1991 and 7% in fiscal 1990.

The U.S. dollar fluctuated in relation to European currencies during fiscal 1992 with a mixed impact on reported sales. The effect of currency movements decreased reported sales during the first two quarters of fiscal 1992 and increased reported sales during the fourth quarter, with only a nominal impact on sales for the third quarter. The dollar value of sales for fiscal 1992 would have been approximately $25 million higher if prior year exchange rates had been in effect. In fiscal 1991, the effect of currency movements increased reported sales during the first three quarters but decreased reported sales during the fourth quarter. The dollar value of sales for fiscal 1991 would have been approximately $94 million lower if prior year exchange rates had been in effect. In fiscal 1990, the fluctuation of the U.S. dollar versus European currencies had an unfavorable impact on reported sales during the first two quarters but increased reported sales during the last two quarters. The dollar value of sales for fiscal 1990 would have been approximately $8 million lower if 1989 exchange rates had been in effect. Since a substantial portion of the Company's sales are denominated in European currencies, reported U.S. dollar sales will continue to be affected by the strengthening or weakening of the U.S. dollar versus European currencies. The strong sales and profits in the second quarter of each year reflect the seasonal impact of Christmas.

Profitability

Gross profit was $246 million or 27% of net sales in fiscal 1992 compared with $333 million or 32% of net sales in fiscal 1991 and $259 million or 29% of net sales in fiscal 1990. The decrease in gross margin in fiscal 1992 was due primarily to lower prices for MS-DOS PC compatibles and unfavorable effects of foreign currency exchange rate fluctuations. The increase in gross margin in fiscal 1991 was primarily attributable to the favorable effects of foreign currency exchange rate fluctuations. The future effects of foreign currency exchange rate fluctuations on gross margins are uncertain.

Operating expenses in fiscal 1992 totalled $215 million or 24% of net sales, compared with $259 million or 25% of net sales in fiscal 1991 and $252 million or 28% of net sales in fiscal 1990. In fiscal 1992, operating expenses were tightly controlled and declined 17% compared with a sales decline of 13%. In fiscal 1991, operating expenses were also tightly controlled and increased only 3% compared with a sales increase of 18%. Selling and marketing expenses decreased 21% in fiscal 1992 to $137 million compared with $174 million in fiscal 1991 and $176 million in fiscal 1990. General and administrative expenses decreased 2% in fiscal 1992 to $52 million compared with $54 million in fiscal 1991 and $48 million in fiscal 1990. Research and development expenses decreased 18% in fiscal 1992 to $26 million from $31 million in fiscal 1991 and $28 million in fiscal 1990.

Net interest expense was $15 million in fiscal 1992 and 1991 compared with $13 million in fiscal 1990. Other income, net in fiscal 1992 was $9 million, primarily reflecting $14 million in net gains from the sale of certain properties and investments, reduced by other expenses of $5 million. Other expense was $6 million in fiscal 1991 and $3 million in fiscal 1990.

As a result of the above factors, pre-tax income was $26 million in fiscal 1992 compared with $52 million in fiscal 1991 and a pre-tax loss of $8.5 million in fiscal 1990. In fiscal 1992, there was a net income tax benefit of $2 million compared with a benefit of $5 million in fiscal 1991 and $10 million in fiscal 1990 as a result of the reduction of certain income tax accruals no longer needed to meet certain tax contingencies.

In fiscal 1992, income before extraordinary item was $28 million, or $0.82 per share, compared with $57 million, or $1.73 per share, in fiscal 1991 and $1.5 million, or $.05 per share, in fiscal 1990. In fiscal 1991, there was an extraordinary charge of $9 million, or $.28 per share, for the court settlement of litigation. Net income for fiscal 1992 was $28 million, or $.82 per share, compared with $48 million, or $1.45 per share, in fiscal 1991, and $1.5 million, or $.05 per share, in fiscal 1990.

Liquidity and Capital Resources

The Company's cash position at 30 June 1992 was $65 million, the same level as the prior year. In January 1992, the Company redeemed $66 million of seven-year Deutsche Mark debentures which had matured. In March 1992, the Company repaid $25 million of senior and subordinated notes as scheduled. During fiscal 1992 short-term bank borrowings were increased by $54 million to $68 million at 30 June 1992. Capital expenditures were $25 million in fiscal 1992 and $28 million in fiscal 1991. The major capital additions in fiscal 1992 included a new manufacturing facility in the Philippines, surface mount manufacturing equipment, tooling for new products and progress payments for the new facility in Germany.

Working capital at 30 June 1992 was $279 million compared with $256 million the prior year, reflecting a decline in inventories and an increase in accounts receivable. Total shareholders' equity increased to $325 million at 30 June 1992 from $290 million in the prior year. The Company anticipates that cash generated from operations, working capital improvements from the reduction of accounts receivable and inventories, existing cash balances, current borrowing capabilities and refinancing opportunities should be sufficient to meet future cash requirements.

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA

Commodore International Limited and Subsidiaries
(In Thousands of Dollars, Except Per Share Amounts)

Year Ended 30 June	1992	1991	1990	1989	1988
Net sales	**$911,000**	$1,047,200	$887,300	$939,700	$871,100
Gross profit (1)	**246,300**	332,700	259,000	290,300	272,100
Operating expenses	**215,000**	259,300	252,200	211,000	184,100
Interest expense, net	**14,700**	15,400	12,800	13,300	16,900
Other (income) expense, net (2)	**(8,800)**	5,400	2,500	5,400	3,500
	220,900	280,100	267,500	229,700	204,500
Income (loss) before income taxes and extraordinary item	**25,400**	52,600	(8,500)	60,600	67,600
Income tax provision (benefit)	**(2,200)**	(4,800)	(10,000)	10,500	19,400
Income before extraordinary item	**27,600**	57,400	1,500	50,100	48,200
Extraordinary item (3), (4)	**—**	(9,200)	—	1,200	7,600
Net income	**$ 27,600**	$ 48,200	$ 1,500	$ 51,300	$ 55,800
Per share data:					
Income before extraordinary item	**$ 0.82**	$ 1.73	$ 0.05	$ 1.55	$ 1.51
Extraordinary item (3), (4)	**—**	(0.28)	—	0.04	0.24
Net income	**$ 0.82**	$ 1.45	$ 0.05	$ 1.59	$ 1.75
Weighted average shares	**33,593**	33,163	32,388	32,354	31,768
Financial Position—30 June					
Current assets	**$539,000**	$ 521,000	$557,000	$547,900	$495,100
Current liabilities	**260,400**	264,900	238,900	228,900	246,400
Working capital	**278,600**	256,100	318,100	319,000	248,700
Total assets	**647,100**	626,400	649,200	630,300	578,500
Long-term debt	**60,300**	71,000	156,500	158,800	130,000
Total debt	**157,600**	166,200	195,400	195,400	176,500
Shareholders' equity	**325,000**	289,700	252,900	240,300	200,300

(1) Includes foreign currency transaction gains and losses related to revenue hedging transactions. See Note 1 to consolidated financial statements.
(2) Fiscal 1992 includes net gains from the sale of certain properties.
(3) Fiscal 1988–1989, tax benefit of net operating loss carryforwards.
(4) Fiscal 1991, court settlement of certain litigation. See Note 9 to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Commodore International Limited and Subsidiaries
(In Thousands of Dollars, Except Per Share Amounts)

Year Ended 30 June	1992	1991	1990
Net sales	**$911,000**	$1,047,200	$887,300
Cost of sales	**664,700**	714,500	628,300
Gross profit	**246,300**	332,700	259,000
Selling and marketing	**136,900**	174,300	176,700
General and administrative	**52,400**	53,600	47,800
Research and development	**25,700**	31,400	27,700
Total operating expenses	**215,000**	259,300	252,200
Operating income	**31,300**	73,400	6,800
Interest expense, net of interest income of $3,100, $4,800 and $8,700, respectively	**14,700**	15,400	12,800
Other (income) expense, net	**(8,800)**	5,400	2,500
Income (loss) before income taxes and extraordinary item	**25,400**	52,600	(8,500)
Income tax (benefit)	**(2,200)**	(4,800)	(10,000)
Income before extraordinary item	**27,600**	57,400	1,500
Extraordinary item	—	(9,200)	—
Net income	**$ 27,600**	$ 48,200	$ 1,500
Per share data:			
Income before extraordinary item	**$ 0.82**	$ 1.73	$ 0.05
Extraordinary item	—	(0.28)	—
Net income	**$ 0.82**	$ 1.45	$ 0.05

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

Commodore International Limited and Subsidiaries
(In Thousands of Dollars)

	30 June 1992	30 June 1991
Assets		
Current Assets:		
Cash and cash equivalents	$ 65,500	$ 64,500
Accounts receivable, net of allowances for doubtful accounts of $19,800 and $18,400, respectively	258,400	229,700
Inventories	204,400	219,600
Other current assets	10,700	7,200
Total current assets	539,000	521,000
Property and equipment, at cost	183,600	177,200
Accumulated depreciation and amortization	(93,500)	(91,300)
Net property and equipment	90,100	85,900
Other assets	18,000	19,500
	$647,100	$626,400
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank debt	$ 67,800	$ 13,800
Current portion of long-term debt	29,500	81,400
Accounts payable	120,200	119,300
Accrued liabilities	42,900	50,400
Total current liabilities	260,400	264,900
Long-term debt	60,300	71,000
Deferred income taxes and other	1,400	800
Commitments and contingencies		
Shareholders' Equity:		
Capital stock, $.01 par value		
Authorized 90,000,000 shares		
Issued 33,807,079 and 33,425,731 shares, respectively	300	300
Contributed surplus	46,700	44,200
Retained earnings	292,900	265,300
Comulative translation adjustment	(9,400)	(12,500)
Unearned compensation	(3,900)	(6,200)
Treasury stock—769,847 and 750,347 shares, respectively, at cost	(1,600)	(1,400)
Total shareholders' equity	325,000	289,700
	$647,100	$626,400

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Commodore International Limited and Subsidiaries
(In Thousands of Dollars)

	Capital Stock	Contributed Surplus	Retained Earnings	Cumulative Translation Adjustment	Unearned Compensation	Treasury Stock	Total
Balance, 30 June 1989	$300	$33,300	$220,100	$(11,400)	$(1,100)	$ (900)	$240,300
Net income	—	—	1,500	—	—	—	1,500
Foreign currency translation adjustments for year	—	—	—	9,500	—	—	9,500
Issuance of shares to officers as compensation	—	7,100	—	—	(7,100)	—	0
Amortization of unearned compensation	—	—	—	—	1,700	—	1,700
Exercise of employee stock options	—	100	—	—	—	—	100
Purchase of treasury stock	—	—	—	—	—	(200)	(200)
Balance, 30 June 1990	300	40,500	221,600	(1,900)	(6,500)	(1,100)	252,900
Net income	—	—	48,200	—	—	—	48,200
Foreign currency translation adjustments for year	—	—	—	(10,600)	—	—	(10,600)
Repurchase of warrants	—	—	(4,500)	—	—	—	(4,500)
Issuance of shares to an officer as compensation	—	2,100	—	—	(2,100)	—	0
Amortization of unearned compensation	—	—	—	—	2,400	—	2,400
Exercise of employee stock options	—	1,600	—	—	—	—	1,600
Purchase of treasury stock	—	—	—	—	—	(300)	(300)
Balance, 30 June 1991	300	44,200	265,300	(12,500)	(6,200)	(1,400)	289,700
Net income	—	—	27,600	—	—	—	27,600
Foreign currency translation adjustments for year	—	—	—	3,100	—	—	3,100
Amortization of unearned compensation	—	—	—	—	2,300	—	2,300
Exercise of employee stock options	—	2,500	—	—	—	—	2,500
Purchase of treasury stock	—	—	—	—	—	(200)	(200)
Balance, 30 June 1992	$300	$46,700	$292,900	$ (9,400)	$(3,900)	$(1,600)	$325,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Commodore International Limited and Subsidiaries
(In Thousands of Dollars)

Year Ended 30 June	1992	1991	1990
Cash Flows from Operating Activities:			
Net income	**$ 27,600**	$ 48,200	$ 1,500
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	**25,200**	21,600	14,800
Deferred income taxes	**(100)**	(100)	(1,600)
Provision for doubtful accounts receivable	**4,600**	7,300	2,500
(Gain) on property dispositions	**(7,600)**	—	—
(Gain) on investment dispositions	**(6,700)**	—	—
Other noncash items	**(500)**	300	900
Changes in assets and liabilities:			
(Increase) in accounts receivable	**(4,700)**	(20,000)	(33,200)
Decrease in inventories	**14,800**	18,000	14,300
(Increase) decrease in other current assets	**(2,200)**	1,000	(1,500)
Increase (decrease) in accounts payable	**(6,200)**	100	22,300
(Decrease) in accrued liabilities	**(11,700)**	(24,500)	(22,900)
Net cash provided by (used for) operating activities	**32,500**	51,900	(2,900)
Cash Flows from Investing Activities:			
Capital expenditures	**(25,100)**	(27,900)	(18,600)
Cash received on property dispositions	**13,600**	—	—
Cash received on investment dispositions	**7,200**	—	—
Other investment activities	**(7,500)**	(7,600)	(4,900)
Net cash (used for) investing activities	**(11,800)**	(35,500)	(23,500)
Cash Flows from Financing Activities:			
Net short-term borrowings (repayments)	**53,100**	(11,700)	1,200
Proceeds from issuance of common stock	**2,500**	1,600	100
Purchase of treasury stock	**(200)**	(300)	(200)
Repurchase of warrants	**—**	(4,500)	—
Proceeds from issuance of long-term debt	**18,700**	—	1,600
(Payments) of long-term debt	**(93,100)**	(13,300)	(14,400)
Net cash (used for) financing activities	**(19,000)**	(28,200)	(11,700)
Effect of exchange rate changes on cash and cash equivalents	**(700)**	(2,100)	2,400
Net increase (decrease) in cash and cash equivalents	**1,000**	(13,900)	(35,700)
Cash and cash equivalents—beginning of year	**64,500**	78,400	114,100
Cash and cash equivalents—end of year	**$ 65,500**	$ 64,500	$ 78,400
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**$ 18,500**	$ 22,700	$ 20,100
Income taxes	**7,000**	6,600	6,500
Non-cash financing transaction:			
Issuance of 120,000 and 650,000 shares of restricted common stock, in fiscal 1991 and 1990 respectively, pursuant to stock incentive plan	**—**	2,100	7,100
Unearned compensation recorded from above transactions	**—**	(2,100)	(7,100)

The accompanying notes are an integral part of these statements.

1. Summary of Accounting Policies

Commodore International Limited is incorporated in the Bahamas. The consolidated financial statements of Commodore International Limited and Subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States. Within those principles, the Company's more important accounting policies are set forth below.

Principles of Consolidation

The consolidated financial statements include the accounts of all majority-owned subsidiaries. All significant intercompany transactions have been eliminated.

Translation of Non-U.S. Currencies

Assets and liabilities recorded in functional currencies other than U.S. dollars are translated at current exchange rates. The resulting adjustments are charged or credited directly to cumulative translation adjustment in the shareholders' equity section of the consolidated balance sheets. Sales and expenses are translated at the weighted average exchange rates for the period. Foreign currency transaction gains and losses are included in income in the period in which they occur. Foreign currency transaction gains (losses) were $16.5 million, $(10.2) million and $24.6 million for fiscal 1992, 1991 and 1990, respectively. Certain foreign currency denominated intercompany balances have been designated as long-term, reducing foreign currency transaction losses by $6.3 million in the fourth quarter of fiscal 1991.

Cash and Cash Equivalents

The Company has included cash, overnight deposits and time deposits with maturities less than 91 days as cash and cash equivalents.

Accounts Receivable

At 30 June 1992 and 1991, a majority of the trade accounts receivable were due from distributors and dealers within the personal computer industry.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market, and include material, labor and overhead. Intercompany profits are eliminated from inventory valuations. Inventories consisted of the following (000s omitted):

	30 June	
	1992	1991
Raw materials and work-in-process	**$ 76,300**	$ 93,800
Finished goods	**128,100**	125,800
	$204,400	$219,600

Property and Equipment

Major classes of property and equipment were as follows (000s omitted):

	30 June		Estimated Useful
Description	**1992**	1991	Lives
Land	**$ 1,600**	$ 3,100	
Buildings and improvements	**42,700**	35,800	10–40 years
Machinery and equipment	**102,000**	102,400	3–10 years
Furniture and fixtures	**13,900**	14,200	3–10 years
Tooling	**8,100**	4,800	2–3 years
Leasehold improvements	**15,300**	16,900	Lease Term
	$183,600	$177,200	

Depreciation has been provided over the estimated useful lives of the assets using primarily the straight-line method. Expenditures for additions, renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

Income Taxes

The Company and its subsidiaries provide taxes on income in accordance with the enacted tax rules and regulations of the many taxing jurisdictions where the income is earned. The income tax rates imposed by these taxing jurisdictions vary substantially. Taxable income may differ from pretax income for financial accounting purposes. Deferred taxes are based on the estimated future tax effects of differences between the financial statements and tax bases of assets and liabilities. The Company does not provide income taxes on undistributed earnings of foreign subsidiaries which are permanently reinvested.

Investment credits and other allowances provided by income tax laws of respective countries are credited to current income tax expense under the flow-through method of accounting.

Effective 1 July 1991, the Company implemented the provisions of Statement of Financial Accounting Standards (Statement) No. 109, "Accounting for Income Taxes." Statement No. 109 utilizes the liability method of accounting for income taxes. The effect of adopting Statement No. 109 was not significant.

Revenue Recognition

Sales are recognized when products are shipped or title is transferred to the customer, net of allowances for estimated returns and discounts. Anticipated warranty costs are provided in the same period in which the corresponding revenues are generated.

Research and Development Costs

The Company expenses research and development costs as incurred.

Foreign Exchange Contracts

The Company periodically enters into foreign exchange contracts to hedge financial statement amounts denominated in foreign currencies. Gains and losses related to contracts which hedge future revenues are included in net sales. Gains and losses on contracts which hedge against certain payables denominated in foreign currencies offset the foreign currency transaction gains or losses on those payables. Gains and losses arising from foreign exchange contracts which are designated as, and are effective as, economic hedges of the Company's net foreign investments are reported as translation adjustments. In the fourth quarter of 1992, $5.7 million of such losses were recorded as translation adjustments. At 30 June 1992, the Company had contracts maturing through 31 December 1992 to sell $85 million of German Deutsche Marks and $35 million of British Pounds Sterling and contracts maturing through 20 August 1992 to purchase $12 million of Japanese Yen.

Per Share Data

Per share data are calculated using the weighted average number of shares of capital stock and dilutive capital stock equivalents (stock options and warrants) outstanding during each year. The weighted average number of shares used to compute earnings per share was 33,593,000, 33,163,000 and 32,388,000 in 1992, 1991 and 1990, respectively. Net income per share is equivalent to fully diluted earnings per share.

Reclassifications

Certain 1991 financial statement amounts have been reclassified to conform with the 1992 presentation.

2. Income Taxes

The income tax provision (benefit) consisted of the following (000s omitted):

	1992	1991	1990
Current:			
U.S. Federal	$ —	$ —	$ (4,500)
Non-U.S. and other	(2,200)	(4,700)	(3,900)
Subtotal	(2,200)	(4,700)	(8,400)
Deferred:			
U.S. Federal	—	—	—
Non-U.S. and other	—	(100)	(1,600)
Subtotal	—	(100)	(1,600)
Total	$(2,200)	$(4,800)	$(10,000)

Non-U.S. earnings (losses) before income taxes amounted to $44 million, $70 million and $(7) million in fiscal 1992, 1991 and 1990, respectively. In fiscal 1991 and 1990 the deferred tax benefits related primarily to the reversal of previously provided deferred taxes.

The Company and its subsidiaries are engaged in business in countries with statutory rates ranging from zero to approximately 60%. As a result, the Company's effective tax rate may vary year to year depending upon the operating results of individual subsidiaries. In fiscal 1992, 1991 and 1990, exclusive of the adjustments described below, the Company's effective tax rate was zero, 6% and zero, respectively, due to operating losses in certain countries with high tax rates (without currently recoverable tax benefits) and income in countries with low or zero statutory rates.

Certain of the Company's non-U.S. subsidiaries are undergoing audits by their respective tax authorities for various fiscal years. In fiscal 1992, the Company resolved tax disputes in the U.S. for the fiscal years 1981 through 1986 and in Italy for the fiscal years 1982 through 1990. In Japan, the Company is seeking a refund of taxes paid in fiscal years 1982 through 1984.

In the fourth quarters of fiscal 1992, 1991 and 1990, after consultation with tax counsel concerning the likely outcome of certain tax audits and litigation, the Company reduced by $3 million, $8 million and $10 million, respectively, income tax accruals no longer considered necessary to meet the probable liabilities in those proceedings.

As of 30 June 1992, the Company's U.S. subsidiaries have net operating loss carryforwards of approximately $100 million which expire at various dates through 2006. Certain of the Company's non-U.S. subsidiaries have net operating loss carryforwards of approximately $97 million, net of $7 million utilized in fiscal 1992, which expire at various dates through 2001.

3. Bank Debt

The Company and its subsidiaries had short-term bank borrowings and overdraft facilities in use of $67.8 million at 30 June 1992, at an average interest rate of 8.6% (1991—11.2%; 1990—12.7%). The maximum month-end short-term borrowings during fiscal 1992 were $67.8 million (1991—$26.6 million; 1990—$26.8 million). The average month-end short-term borrowings outstanding during fiscal 1992 were $28.5 million (1991—$17.4 million; 1990—$22 million) at a weighted average interest rate of 9.8% (1991—12.7%; 1990—13.6%).

As of 30 June 1992, the Company had unused short-term lines of credit of $22.8 million available in various currencies which permit borrowings at floating rates which vary from country to country depending upon local conditions. In certain countries under various informal and unrestricted arrangements, the Company maintains compensating balances to support credit facilities and services.

4. Long-Term Debt

(000s omitted)	30 June 1992	1991
Senior notes, 11.0% due through March 1993	**$ 5,000**	$ 10,000
Senior notes, 10.75% due through March 1995	**37,500**	50,000
Subordinated notes, 12.0% due through March 1994	**16,000**	24,000
Deutsche Mark debentures	**—**	55,200
Secured equipment loans, 7.52% to 9.59%, due through 2001	**15,800**	—
Real estate mortgages, 7.25% to 17.0% due through 2006	**5,800**	3,200
Capitalized lease obligations averaging 12.4% (1991—12.5%) due through 2020	**9,700**	10,000
	89,800	152,400
Current Portion	**(29,500)**	(81,400)
	$ 60,300	$ 71,000

In May 1987, the Company issued $20 million of senior notes and $40 million of subordinated notes with warrants to purchase 2,250,000 shares of capital stock to an insurance company. The warrants are exercisable at $11.40 per share until March 1994. The Company repurchased 750,000 warrants in March 1989 for $4.5 million and an additional 750,000 warrants in April 1991 for $4.5 million. In August 1988, the Company issued an additional $50 million of senior notes to two insurance companies.

The senior and subordinated note agreements contain various covenants which, among others, provide for the maintenance of a minimum level of net worth and contain restrictions on the amount of dividends which may be declared or paid. Under the terms of the agreements, dividends are restricted to 50% of consolidated net earnings subsequent to 1 January, 1989 as defined.

Approximate annual maturities of long-term debt as of 30 June 1992 are as follows (000s omitted):

1993	$29,500
1994	23,800
1995	14,500
1996	1,900
1997	1,300
Later Years	18,800
	$89,800

5. Capital Stock

As of 30 June 1992, the following shares of capital stock were reserved for future issuance:

Stock Incentive Plan	3,979,063
Warrants (See Note 4)	750,000

The Stock Incentive Plan for Key Employees provides for certain key employees to receive grants or options to purchase up to 6,000,000 shares of the Company's capital stock. Although the Plan allows for non-qualified stock options to be granted at a price below the market value, all options have been granted at the fair market value at the date of grant except for options for 300,000 shares, granted to an officer at a price of $7.25, which was below the fair market value at the date of the grant. Options granted under the Plan expire ten years from the date of grant and outstanding options granted before 1 January 1989 are exercisable in annual increments of 33⅓% beginning one year from the date of grant. Options granted after 31 December 1988 are exercisable in annual increments of 25% beginning one year from date of the grant. As of 30 June 1992, options were held by 78 employees and range in exercise price from $5.75 to $15.625. These options expire on various dates from February 1996 to May 2002. Options for 666,000 shares were exercisable as of 30 June 1992. Option activity during 1991 and 1992 was as follows:

	Number of Shares	Average Price Per Share
Outstanding as of 30 June 1990	1,840,518	$ 9.22
Granted	899,833	6.32
Exercised	(213,595)	7.95
Cancelled	(935,324)	10.52
Outstanding as of 30 June 1991	1,591,432	$ 6.98
Granted	273,000	12.75
Exercised	(365,000)	6.43
Cancelled	(231,341)	7.72
Outstanding as of 30 June 1992	1,268,091	$ 8.25

In fiscal 1990 a total of 650,000 shares of restricted capital stock were granted to two officers at a price of $6,500 or $.01 per share. Restrictions on the shares lapse at the rate of 20% per year beginning in August 1990 for 350,000 shares and at the rate of 20% in each year January 1991 through January 1994 for 300,000 shares. In fiscal 1991, 120,000 shares were granted to an officer at a price of $1,200 or $0.01 per share. Restrictions on the shares lapse at a rate of 33⅓% per year beginning January 1992. If the officers leave the Company due to a merger or another change of control, all remaining restrictions lapse immediately. The difference between the grant price and the fair market value at the date of the grants has been recorded as unearned compensation in the consolidated balance sheets and is being amortized by a charge to earnings over the vesting period.

When options are exercised, the proceeds, including any applicable income tax benefit, are credited to capital stock and contributed surplus.

6. Leases

The Company leases certain machinery and equipment, manufacturing facilities, warehouses and administrative offices with terms expiring at various dates to 2020. Typically, the Company pays property taxes, insurance and maintenance expenses related to the leased property. The gross cost of property included under capital leases as of 30 June 1992 and 1991 was $10.4 million and $10.5 million, respectively. The related accumulated amortization as of 30 June 1992 and 1991 was $3.0 million and $2.3 million, respectively. Amortization expense of property under capital leases was $.7 million in 1992, $.5 million in 1991 and $.7 million in 1990. Total rental expense under operating leases was $8.8 million in 1992, $8.2 million in 1991 and $7.5 million in 1990.

Minimum future obligations under leases as of 30 June 1992 are as follows (000s omitted):

	Capital Leases	Operating Leases
1993	$ 1,600	$ 8,400
1994	1,400	6,900
1995	1,400	4,700
1996	1,400	3,800
1997	1,100	3,400
Later Years	25,200	8,900
Total minimum obligations	$ 32,100	$36,100
Amounts representing interest	(22,400)	—
Present value of net minimum obligations	$ 9,700	—

Commodore International Limited and Subsidiaries
30 June 1992

7. Geographic Segment Information

(In Thousands of Dollars)	North America	Europe	Asia/ Australia	Eliminations	Consolidated
1992					
Sales to unaffiliated customers	$ 76,900	$ 798,500	$ 35,600	$ —	$ 911,000
Intersegment sales	64,800	294,200	586,400	(945,400)	—
Net sales	141,700	1,092,700	622,000	(945,400)	911,000
Income (loss) from operations	(6,100)	31,400	(100)	6,100	31,300
Interest expense, net					(14,700)
Other income, net					8,800
Income before income taxes					25,400
Identifiable assets	103,300	451,800	98,100	(6,100)	647,100
Depreciation expense	7,800	6,600	3,300	—	17,700
Capital expenditures	5,900	5,900	13,300	—	25,100
1991					
Sales to unaffiliated customers	$ 110,100	$ 883,100	$ 54,000	$ —	$1,047,200
Intersegment sales	82,700	454,800	711,100	(1,248,600)	—
Net sales	192,800	1,337,900	765,100	(1,248,600)	1,047,200
Income (loss) from operations	(24,700)	74,400	(800)	24,500	73,400
Interest expense, net					(15,400)
Other expense, net					(5,400)
Income before income taxes					52,600
Identifiable assets	137,000	414,400	87,100	(12,100)	626,400
Depreciation expense	7,600	6,600	3,400	—	17,600
Capital expenditures	16,900	8,600	2,400	—	27,900
1990					
Sales to unaffiliated customers	$ 163,500	$ 662,800	$ 61,000	$ —	$ 887,300
Intersegment sales	95,600	442,200	624,200	(1,162,000)	—
Net sales	259,100	1,105,000	685,200	(1,162,000)	887,300
Income (loss) from operations	(17,700)	28,600	2,100	(6,200)	6,800
Interest expense, net					(12,800)
Other expense, net					(2,500)
Loss before income taxes					(8,500)
Identifiable assets	158,500	423,800	103,500	(36,600)	649,200
Depreciation expense	6,600	4,900	3,300	—	14,800
Capital expenditures	7,000	8,000	3,600	—	18,600

8. Commitments and Contingencies

The Company and its subsidiaries are parties to a number of lawsuits and claims, including a purported class action suit brought in August, 1992. In the opinion of management, none of the lawsuits or claims will materially affect the consolidated financial position of the Company.

The Company is subject to various laws and regulations relating to protection of the environment. The Company owns a semiconductor manufacturing facility which is subject to administrative procedures of the US Environmental Protection Agency. As such, the Company, together with at least one and possibly other potentially responsible parties, is liable for the cost of investigating and remediating the contamination at the site. Based upon the facts currently known to the Company, such expenses as may be associated therewith are not expected to have a material adverse effect on the consolidated financial position of the Company.

9. Legal Settlement

During the third quarter of fiscal 1991, the Company under a court order, settled a lawsuit brought by its former president. The suit arose from facts surrounding the former president's employment. As a result of the unfavorable outcome the Company paid $9.2 million which has been classified as an extraordinary charge in the accompanying consolidated statement of income.

10. Quarterly Financial Information *(unaudited)*

(000's omitted, except per share amounts)

For the Year Ended 30 June 1992	First	Second	Third	Fourth	Year
Net sales	$204,100	$371,600	$194,600	$140,700	$ 911,000
Gross profit	57,100	120,600	54,300	14,300	246,300
Income (loss) before income taxes	5,800	42,200	4,300	(26,900)	25,400
Income tax provision (benefit)	500	2,100	200	(5,000) *(a)*	(2,200)
Net income (loss)	$ 5,300	$ 40,100	$ 4,100	$ (21,900)	$ 27,600
Per share data:					
Net income (loss)	$ 0.16	$ 1.18	$ 0.12	$ (0.66)	$ 0.82 *(b)*
For the Year Ended 30 June 1991					
Net sales	$200,300	$384,100	$246,300	$216,500	$1,047,200
Gross profit	63,200	135,500	79,700	54,300	332,700
Income (loss) before income taxes and extraordinary item	7,200	38,800	10,900	(4,300)	52,600
Income tax provision (benefit)	200	2,300	300	(7,600) *(a)*	(4,800)
Income before extraordinary item	7,000	36,500	10,600	3,300	57,400
Extraordinary item	—	—	(9,200)	—	(9,200)
Net income	$ 7,000	$ 36,500	$ 1,400	$ 3,300	$ 48,200
Per share data:					
Income before extraordinary item	$ 0.22	$ 1.12	$ 0.32	$ 0.10	$ 1.73 *(b)*
Extraordinary item	—	—	(0.28)	—	(0.28)
Net Income	$ 0.22	$ 1.12	$ 0.04	$ 0.10	$ 1.45

(a) *Reflects reduction of certain income tax accruals. See Note 2.*
(b) *Total for year differs from sum of quarters due to fluctuations in the stock price affecting quarterly common stock equivalents.*

Report of Independent Public Accountants

To the Shareholders of Commodore International Limited:

We have audited the accompanying consolidated balance sheets of Commodore International Limited (a Bahamian corporation) and subsidiaries as of 30 June 1992 and 1991, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended 30 June 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Commodore International Limited and subsidiaries as of 30 June 1992 and 1991, and the results of their operations and cash flows for each of the three years in the period ended 30 June 1992, in conformity with generally accepted accounting principles.

Philadelphia, PA
17 August 1992

Arthur Andersen & Co.

Shareholder Information

Capital Stock Information

The Company's shares are listed on the New York Stock Exchange. The high and low quarterly common stock prices for the past two fiscal years were as follows:

Quarters		**Fiscal 1992 High – Low**	Fiscal 1991 High – Low
1st	(30 September)	**$\$15\frac{1}{8}$ – $10\frac{1}{8}$**	$\$8$ – $4\frac{5}{8}$
2nd	(31 December)	**18 – $12\frac{1}{8}$**	$11\frac{7}{8}$ – $4\frac{5}{8}$
3rd	(31 March)	**$19\frac{1}{4}$ – $12\frac{7}{8}$**	$19\frac{1}{4}$ – $8\frac{3}{4}$
4th	(30 June)	**$14\frac{3}{4}$ – $9\frac{1}{2}$**	$21\frac{1}{2}$ – $10\frac{7}{8}$

Transfer Agent and Registrar
Chemical Bank
P.O. Box 24935
Church Street Station
New York, New York 10249

Shareholder Communication Center
(212) 613-7147

Shares Listed
New York Stock Exchange
(Ticker Symbol CBU)

Board of Directors

Irving Gould
Chairman of the Board

Mehdi R. Ali
President

General Alexander M. Haig, Jr.
President of Worldwide Associates, Inc. and Director of Interneuron Pharmaceuticals, Inc., MGM Grand, Inc. and America On-Line

Ralph D. Seligman
Consultant Counsel
Graham, Thompson & Company

Burton Winberg
President
Rockport Holdings Limited and Director of Fahnestock-Viner Holdings Inc. and Aviva Petroleum Canada Ltd.

Officers

Irving Gould
Chairman of the Board and Chief Executive Officer

Mehdi R. Ali
President

Ronald B. Alexander
Vice President and Chief Financial Officer and Secretary

Stephen Franklin
Vice President

Helmut Jost
Vice President

Anthony D. Ricci
Vice President and Controller

Lewis C. Eggebrecht
Vice President, Engineering

J. Edward Goff
Vice President and General Counsel

Hock E. Tan
Vice President, Finance

U.S. Offices

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