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MS-GmbH OEM Report - September'89

OEM Royalty Business

Siemens - holds its breath for large reorganization effective Oct 1st. The benefit of this reorganization is more flexible business division. The PC division is named Siemens PE and is exclusively responsible for PCs. Even the sales channels are now directly tied to the PC division (in the past a central group was the link between marketing and sales forces).  
Siemens PE (DOS) - COM Server and SQL Server is in decision process.  
CTM - has been bought by Harald Speyer and Mr. Bartholomb, both ex-Commodore managers. After a long period of selling main computers only they diversify CTM's product range and enter the PC market. Speyer wants to reach the 50,000 units per year border at the end of the first year.  
New Business signed - none.

OEM Finished Goods Business

IBM will announce on Oct 6, that they will promote and ship PM Escal.  
Siemens is considering to do a large Word 5 Update action. Also we have defined how to sell Finished Goods through the electronic ordering system, a contract will be signed by end of November (impact: DM 4m p.a.).  
Olivetti and AEG Olympia are still low in contribution.  
The Packaged DOS business has grown again, 10,550 packages were sold (last month 7096), 15 new customers have signed, now we have 156 (last month: 141) licensees. The number of Per-System commitments is well growing and help to increase the penetration in this market segment.

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## OEM Financial

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## Finished Goods (in KDM)

act	Budget	month		year to date	
		% Budget	act Budget	% Budget	
2611	2,386	109 %	7,1676,766	106 %	

We were not able to book all the orders. Shortage of Word with 3.5" disks brought us a backlog of 500k, we booked DM 140k out of a order volume of DM 600k. The keyproducts were Packaged DOS with 10,550 units (DM 1.5m, 60% share of FG revenues) and Monas with DM 388k revenues.

As the orders went in steadily the second month now, this certainly indicates that OEM business is gearing up for the year-end season.

## OEM Royalties (in thousands US Dollar)

act	Budget	month		year to date	
		% Budget	act Budget	% Budget	
1.991	1.721	116 %	4,5822.317	198 %	

We did all the minimum commitment billings this month except \$276k 1st period minimum commitment payments from Siemens. This is caused by the fact that the contract needs a 1st shipment notification. I anticipate billing of this amount upon the royalty reports in November.

In total the relation between actual revenues and budget looks like sand-bagging. However, the CPU forecasts are very close to reality. The additional revenues come from additional customers who were able to leave the competition behind. Besides the historic key customers like Siemens, Nixdorf, we now have Peacock (\$700k bookings for FY90), Actabus (\$220 bookings) and others. Especially Peacock and Actabus are customers who sold their PCs without DOS a few years ago. Our efforts in the PackDOS area and in pursuing piracy made these customers aware of having DOS on every computer system.

## Royalty Billing Forecast

month	revenues	Budget	% Budget	ytd	plan	% plan
October	160	341	47 %	4,742	2,658	178 %
November	270	320	84 %	5,012	2,977	168 %
December	2,400	1,695	142 %	7,412	4,673	159 %

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## Account Status Changes - OEM Royalty Business

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## Siemens K KE

Kopitsch, our friend has left PC development. Hearing we very good know of as a difficult guy will take Kopitsch's position effective Oct 1.

## Siemens contracts

They are still waiting for a simple side letter explaining a few issues of the contract. Till now we were not able to match Fred Rupert's language with Siemens' although we have a common sense.

## COM Server

Is already tested and caused first enthusiasms. Siemens severely considers to license it.

## SQL Server

International character is crucial. However, Siemens is delighted by the functionality and performance. The key for licensing is a final test of the international version.

## OS/2

Just 2 weeks ago they released OS/2 1.1. Their time consuming problem was a special adaptation of the harddisk interface for mirrored disks.

## Russia deal

Financials around the Russia deal cause some headaches and delay the first shipment of PC hardware and Mouse till December. This gives the necessary time to close the contracts for DOS and Mice.

## Next steps

- get the contract for OEM Mice signed by customer.
- make a business proposal for Communication Server by Oct 31
- review all current R&D projects (Com Srv, OS/2, SQL Srv).

## Nixdorf

## Com Server, LM/X, LAN Mgr 2.0

are to be included in a new agreement/amendment as a whole package. There is agreement of the package but pricing and the inclusion of COM Server is still to be fixed.

## Next steps

- make a business proposal for Communication Server and get letter-of-intent signed ASAP!

## Schneider

Nothing happened in August because of vacation.

## Next steps

- follow up on Com Server and make a final business proposal for the entire package (Com Srv, LM/X, LM 2.0).

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Account Status Changes - Finished Goods Business

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IBM

It took a lot of efforts to introduce PM Excel (together with JemL). At first they rejected our business proposals we made similar as MS SARI had done but Christian Wedell was able to convince them of a last-minute, absolutely surprising announcement of a PM Excel bundle. So, it's done in the end.

Next steps

- follow-up on the current PM Excel bundle
- have accomplished a common agreement with IBM Switzerland and Austria of promoting PM Excel in Q4 CY89.

Siemens K KE

applications manufactured under the old license agreement

The amendment is not ready yet but will be done in October.

Word 5

By a 80% probability Siemens will update its Word community to Word 5. The logistics and prices are approved.

Finished Goods distribution

As a direct result of our Word 5 update campaign Siemens wants to enter into a Finished Goods distribution agreement by end of November. The conditions and terms are very moderate. Business impact is about DM 4m p.a.

Next steps

- finalize the Word 5 update and promotion campaign
- introduce the PM Excel based office solution package
- pursue the distribution contract.

Nixdorf

No progress on the Finished Goods side. However they ordered 170 Word and 920 Mouse which are extraordinary amounts.

Next steps

- pursue Finished Goods marketing

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**Schoeider**

They think we pay their advertising. But, we want them to do coordinated promotions for Works.

**Next steps**

- review the marketing material for Works 1.05 and propose more efficient marketing campaigns for year-end season.

**Olivetti**

Another month of ridiculous low order entry from Olivetti. But it looks like they recover already. They are eagerly working on OS/2 bid for the Government.

- arrange a high-level manager meeting for defining how Microsoft and Olivetti continue to do business together.

**REIN Elektronik**

We reduced their discount dramatically for stopping them selling into our distribution channels.

There is agreement on how to continue business. REIN has agreed to sell solution packs and bundles preferably, all other products will be marked to be sold in conjunction with REIN computers only.

**Next steps**

- define further solution packs
- review their marketing material

**VOBIS**

has signed for DR-DOS. We'll undertake all efforts to bring them back into our camp and it looks like that VOBIS wants to continue business with us.

**Next steps**

- turn them away from DR DOS and make them market Pack DOS
- pursue DOS/WIN bundle deal

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Review of last month goals

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- Siemens KE
  - finalize the OEM Mica deal still open
  - get their agreement to a business proposal for PC distribution still active
  - via their agreement in principle to license SQL Server done
- Nixdorf
  - get Nixdorf sign a Com Server agreement still open
- Schneider Rundfunkwerke
  - get them ship OS/2 done
- Siemens D
  - close the first amendment for the XENIX license agreement to open
  - include Authorized Distribution open
  - propose LM/X open
- IBM
  - get them committed to bundle Works new way
  - get them marketing PM Excel done
- SYSTEMS (October)
  - win all significant pc manufacturers to participate in a common done
  - OS/2 presentation strategy

Sales Calls

Account Manager	Calls	Comments
Manfred Schradler	12	
Roland Rock	25	1 week on a seminar
Jan Neumdorf	5	12 working days
Jürgen Weidenhausen	23	
Total	65	ca 3.5 heads

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3-Month Goals

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October

IBM

- participate in their dealer event in parallel to SYSTEMS and make them promote PM XL
- have them announce their PM Excel promotion

Siemens PE

- get them ship LAN Manager
- close a license agreement for SQL Server
- finalize the OEM Mouse deal

Toshiba

- win their commitment to bundle Works

PackDOS

- sell DOS/WIN per-system deal broadly by mailing and follow up

Siemens

- close Word 4 update campaign

November

Toshiba

- get Works 1.05 bundle ship

AEG Olympia

- prepare and close a new FG contract

Nixdorf

- close a license agreement for SQL Srv, Com Srv and LM/X

Siemens

- close a FG agreement

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