

Plaintiff's Exhibit
5528
Comes V. Microsoft

VOBIS Microcomputer AG

Account Profile for Q1FY93

Microsoft

&

VOBIS

Stefanie Reichel
OEM Account Manager - Germany

PLAINTIFF'S
EXHIBIT
1389
Reichel
9/26/92 C.E.R.

SR 00034
HIGHLY CONFIDENTIAL

EXHIBIT
Verones
45
6-22-91

HIGHLY
CONFIDENTIAL

MS98 0195373
CONFIDENTIAL

Executive Summary

Vobis Microcomputer AG (Vobis) represents one of the most strategic accounts to Microsoft both in terms of the revenue they bring us, but also because of their fast growth and strong presence in the German and European market.

From a market share standpoint, Vobis is by far the largest manufacturer and seller of IBM compatible computers in Germany with 1991 annual shipments of 270,000 at a sales revenue estimated at over DM 1 Billion (\$650 million - the figures have not been officially reported yet). In a recently published IDC report, Vobis was placed as having 15.3% of the Intel-based PC market share in Germany, leading by a significant margin against IBM which had 10.5%, Siemens-Nixdorf with 5.2%, Escom with 5.1% and Compaq with 5% respectively.

Vobis is also projected to continue to grow rapidly and dominate the German market and eventually expand into the rest of the European market with as much momentum. In the last three quarters alone, they have shipped over 255,000 systems, and expect to ship a record 350,000 systems this CY92. This will place Vobis as the largest shipper of PC's in the German market.

From a royalty revenue standpoint for Microsoft, Vobis is by far our largest OEM in Germany, and one of our largest in Europe. Since they started shipping our products with our systems in Q2FY91, they have brought in \$2,506,980.00 in royalty revenue for FY91. Actual revenue for FY92 was \$7,449,632.00 although they had been forecasted at \$5,174,336.00. Effective July 1st, 1992, Vobis committed to a new 18 month contract agreement for an annual commitment of \$11,880,000.00. This commitment includes new licenses for Works for Windows and Entertainment Pack. In addition, we believe there is potential for additional revenue for licensing products such as Windows for Workgroups. This could mean royalty revenue for Microsoft exceeding \$12MM in FY93.

Vobis's strengths and reasons for such success lie in their ability to offer the lowest and most competitive prices for PC's in the market. In addition, they have more visibility and presence than any other PC reseller due to their network of 100 sales outlets in Germany and 30 others throughout Europe. This has allowed them to offer customers more convenient locations and easier "one stop shopping" than is readily available elsewhere. They also actively advertise their aggressive pricing for PC's in a monthly collateral piece which is inserted in the top 10 newspapers and magazines in Germany with an estimated circulation of over 6 million. They also have fast logistics and a quick central operations group in their headquarters.

Vobis's weaknesses lie in their growing reputation for poor quality control in their products and in customer support. This is where many of their competitors are trying to steal market share from Vobis, even if they cannot compete with them on price.

SR 00035
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195374
CONFIDENTIAL

Our greatest challenge and threat in this account has been DIGITAL RESEARCH (DRI). Vobis is still DRI's largest OEM in Europe and where they have had their strongest foothold in an account. There are many reasons that DRI was able to get this position with them. One of them is that Vobis does not want to feel dependent on one vendor and this means Microsoft. Another reason is that internally at Vobis there are several "DRI Disciples" who preach within and to the Vobis customer base that DR-DOS 6.0 is better than MS-DOS 5.0.

Our challenge in countering this DRI threat is slowly being achieved and in the last three quarters alone, the percentage of DR-DOS sold to MS-DOS has dropped from 50% to 18%. In addition, Windows is taking off. In Q1 and Q2FY92, our percentage of Windows penetration was 50%. Since Q3FY92, the Windows penetration on their systems was increased to 63%. It is currently after Q4FY92 at 77%. By Microsoft continuing to work together more closely and supporting Vobis with a dedicated Account Management team, by dedicating marketing monies for projects such as training and seminars for their store managers and promotions in their stores (such as with Windows), we will be able to create needed visibility and continue to chip away at DRI's stronghold in this account as well as any other competitors.

SR 00036
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195375
CONFIDENTIAL

Company Business Profile

Vobis Microcomputer AG (Vobis), a manufacturer of IBM Compatible personal computers and systems, was officially founded in 1975 in Aachen, Germany by Rainer Fraling and Theo Lieven. The company originated as a purchasing club at Aachen University of Technology (Germany). Within two years it had become a full-time mail-order business operating out of the garage and apartment of the two founders with a turnover of DM 2 million (\$1.15 million) in their first year of business. By 1980, Vobis had reached a turnover of more than DM 10 million (\$5.7 million). The company has since then grown rapidly at an average rate of almost 100% each year.

In 1989, in order to finance and maintain their tremendous growth rate, Vobis sold a 50% share of their business to KAUFHOF Holding Group, the largest retail store chain in Germany and a division of the Metro International Group. By establishing this new distribution channel and partnership with KAUFHOF, Vobis was able to expand its market from the private sector to the semi-professional and professional market. Currently, Vobis markets and sells direct to business enterprises and home users with their own brand name called "Highscreen". They accomplish this in Europe through their own network of 130 sales outlets and the network of their partner's retail outlets (Kaufhof and MediaMarkt) and small business wholesale centers (Metro) which is estimated at being over 400 locations.

The projected annual sales for this CY92 are 350,000 systems at over DM 2 Billion in revenue (\$1.2 Billion). Vobis's primary business and sales are in Germany and they continue to dominate and grow at a strong rate in the German market. However, Vobis's main strategic goal is to continue to aggressively expand with additional stores throughout Europe (mainly Spain, Italy, Belgium, Holland, later France, UK and Poland), and to grow these markets as successfully as they have grown the German market.

Vobis currently manufactures their PC's in locations such as Berlin, Vienna/Austria, the former Philips Computer Plant and through the hardware manufacturer Aquarius Computer. In addition, they just completed building a Warehouse and Assembly Plant near their headquarters in Aachen, Germany where they will be able to centrally store and ship their products to all stores throughout Europe with an immediate response time.

SR 00037
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195376
CONFIDENTIAL

Quick Personal Profile on Theo Lieven:

- Founder, President and Member of Board. Age 40.
- Attended Aachen University of Technology in Germany, receiving a degree in Mathematics.
- Lieven is the main contact for Microsoft. He is a very complex character who needs special attention to his success and ego-stroking. He is an intelligent, very eccentric man with a great sense of humor. He can be sensitive and if he is teased in a negative manner, he shuts off completely.

Examples of his extraordinary lifestyle and personality are:

- He is still a registered student in the 40th semester in mathematics
- He is a concert pianist with over 12 years of training and lessons
- He is a certified pilot and flight instructor
- He drives only 12 cylinder cars (Jaguar, Mercedes, BMW) and collects old sports cars
- He indulges daily on gourmet food and expensive old wines

Previously, Lieven did not see the importance of the Operating Systems or software applications to his company's success. He was aggressively marketing several software products and three (3) operating systems (DR-DOS, MS-DOS, and OS/2). Up until recently, he favored DR-DOS despite the fact that he had to pay for these licenses extra, since he has a per processor agreement on MS-DOS. He is most likely paying about \$5 for DR-DOS on a per copy basis.

However, with the signing of the new contract agreement, Lieven has been showing signs of wanting to work closer with Microsoft in a "Strategic Alliance". He has recently come to realize that the market is becoming increasingly competitive and he needs to be able to differentiate himself from his competitors. He also has had the problem of a growing reputation for poor product quality and service.

In order for Lieven to continue to keep Vobis growing and be successful, he feels that as the leading OEM in the Market that he should partner with the leading software company....Microsoft. He is even willing to discuss no longer offering DR-DOS if we are willing to work together with him in marketing in the European market and helping him sell our software with his hardware. The Marketing Plan which was written towards working together with Vobis was presented to him and he is willing to allow us to include in his stores information racks, auto-demos, window displays, posters, stickers in windows and joint advertising in his flyers. We are currently discussing with the GmbH how we can agree on a joint strategy to work together and present a proposal to Lieven.

SR 0003S
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195377
CONFIDENTIAL

Vobis at a Glance*

Name and Address:

Vobis Microcomputer AG
Postfach 1778
Rotter Bruch 32-34
D-5100 Aachen
Germany

Business:

Original Equipment Manufacturer (OEM) of IBM Compatible personal computer systems.

of retail stores:

Germany: 100
Austria: 10
Switzerland: 4
Italy: 5
Belgium: 2
Holland: 9

of Employees:

1283

Annual Sales:

1989: DM 280 million
1990: DM 540 million
1991: DM 1 Billion + (Figures not reported yet)

Channels:

Vobis Stores: 90%
Distributors: 9%
Mail Order: 1%

Markets:

Individuals/Semi- Professionals: 75%
Medium Business/Fortune 250: 15%
Education/Government: 10%

Sales by Territory:

Germany: 80%
Other: 20%

* Most figures above are based on 1991, but has been updated with information from 1992.

SR 00039
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195378
CONFIDENTIAL

Product Line

Vobis sells a complete line of IBM compatible desktops, laptops, servers and accessory products. This product line is as follows:

Desktops

Name of Product Line: Highscreen Kompakt Serie III
of Desktops: 6
Processor Types:
AT 286-16 AT 386SX-25 AT386DX-33
AT 386SX-16 AT 386DX-25 AT486SX-20

Laptops

Name of Product Line: OEM Notebook Series (No Name)
of Desktops: 4
Processor Types:
286 386DX-33
386SX-20 486DX-33

Servers

Name of Product Line: Highscreen Tower Serie
of Desktops: 5
Processor Types:
AT 386DX-25 AT 386DX-33 AT 486SX-20
AT 486DX-33 AT 486DX-50

Software Bundles

Presently, when Vobis sells any of the above PC's to a customer, they receive a cardboard carrying box called "Software Package" in which they receive the following software bundle:

- DR-DOS 6.0 -OR- MS-DOS 5.0
- Power Basic Basisversion
- PC Tools 7.1
- Microsoft PC-Works 2.0
- OR-
- Windows 3.1 and WAYS 1.1 with the book titled "Ways" by J. Schieb.
- Microsoft Works for Windows 2.0 on select 386/486 Windows machines.
- Microsoft Entertainment Pack Volume 1 on their Video Pro 286 machine.
- HP New Wave 3.0 (on all 386 and 486 processors with more than 4 MB).

Other Products

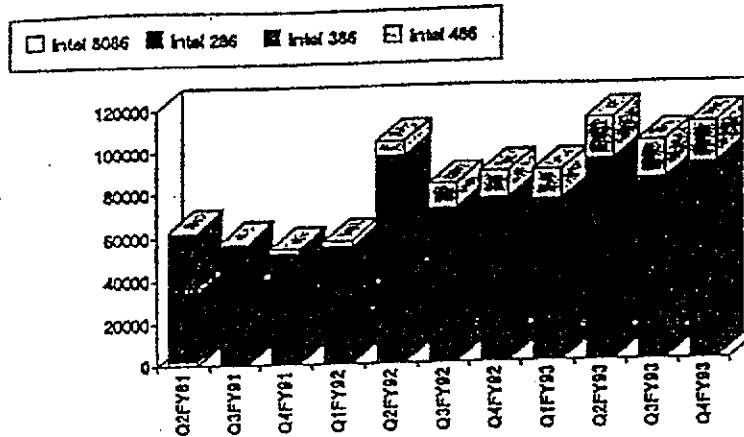
OEM Brand Name (Olivetti, Hewlett Packard, Epson, and other)
Printers, Monitors, Modems, Scanners and Mouses;

SR 00040
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195379
CONFIDENTIAL

Unit Shipments and Processor Mix



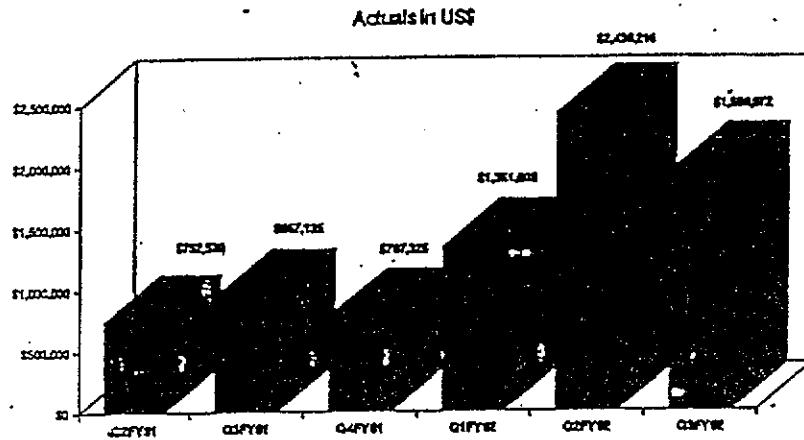
* The above is based on actuals that we have through Q4FY92.
All other is based on our Forecasts.

SR 00041
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195380
CONFIDENTIAL

Royalty Revenue of Microsoft Products



Revenue for FY91 - \$2,506,980.00

Revenue for FY92 - \$7,449,632.00

SR 000-2
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195381
CONFIDENTIAL

License Profile/Contract Summary

- New License Agreement effective July 1, 1992 - December 31, 1993.
Total per processor royalty is \$29.70.
- All products to be pre-installed and they are a Ready-To-Run licensee as well.
- MS-DOS commitment doubled from 200K to 400K units annually per processor.
- MS-DOS royalty at \$9.00 for all language versions.
- Windows commitment increased from 100K to 320K units annually on all 386 and 486 systems.
- Windows royalty at \$15.00 for all language versions.
- In addition, they have committed in a new separate one year contract for 100K units of Works for Windows Version 2.0, 80K units of PC-Works Version 2.0 and 40K units of Entertainment Pack Vol.1 Version 1.0.
- They will also no longer be licensing OS/2.
- They no longer have update rights for products and will be including Microsoft registration cards in with all product manuals.

Summary of Terms:

Product Uplifts**	List Price	License	Royalty*	Volume	m/c	Int'l
MS-DOS 5.0 with Shell	\$15.00	P/P Pre-install	\$9.00	400,000	\$3,600,000.00	None
Windows 3.1	\$19.00	P/P Pre-install	\$15.00	320,000	\$4,800,000.00	None
Works for Windows, Version 2.0	\$26.00	P/System Pre-install	\$24.00	100,000 (annually)	\$2,400,000.00	None
Works Version 2.0	\$12.00	P/System	\$12.00	80,000 (annually)	\$960,000.00	None
Ent. Pack for Windows, Version 1.0	\$3.00	P/System Pre-install	\$3.00	40,000 (annually)	\$120,000.00	None
Test Software	\$0.00	P/System Pre-install	\$0.00	400,000 (annually)	\$0.00	None

Yearly Total in Royalty Revenues:

\$11,880,000.00

SR 00043
HIGHLY CONFIDENTIAL

HIGHLY
CONFIDENTIAL

MS98 0195382
CONFIDENTIAL

